



SUSTAINABILITY REPORT
Consolidated non-financial statement 2018 pursuant to Italian Legislative Decree n. 254/2016

Massimo Zanetti
MASSIMO ZANETTI
BEVERAGE GROUP

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Message to stakeholders

2018 saw our Group launching many initiatives. We worked hard at laying the foundations for a new stage of growth in all regions: notably in Asia, with the opening of the new branch in China, a strengthened presence in Thailand and Indonesia, and the acquisition of "The Bean Alliance" company in Australia. The Bean Alliance is well-known for product innovation, in particular in the local roasted channel and for the focus on sustainability, as confirmed by the many awards and certifications obtained, such as the recent award given to the "Bean Ground and Drunk" brand, the first certified biologic coffee in Australia. New projects were launched also in other markets, to catch new market trends, with increasing attention paid to the sustainability issue: from compostable capsules, which have recently been awarded the title of product of the year in France, one of the most mature markets for the coffee sector, to Fairtrade, Rainforest and organic products, to the important non-GMO certification obtained by Kauai, Hawaii.

2019 will also be a year rich in projects, in which we expect to leverage the initiatives launched this year, in order to achieve profitable and lasting growth.

We believe that generating value means, first of all, innovating: innovation will guarantee strong future prospects to the Group, provide certainty to the thousands of people who work for us and make quality products to all consumers who every day rely on us.

Innovation is a key component of our DNA. We are one of the top players in the coffee sector and it has been our passion for coffee, in all its forms, traditions and new trends, that has driven the growth of our company. In all our expansion plans and acquisitions, we have always endeavoured to make the most of the local communities, respecting their values and adjusting our presence to take into account their unique features. Our strength lies in our respect for diversity, in the focus on the individuals and the local communities: these principles of responsibility have always guided and will continue to guide our Group.

Chairman and Chief Executive Officer
Massimo Zanetti



1. Massimo Zanetti Beverage Group

A worldwide coffee ambassador

Massimo Zanetti Beverage Group S.p.A. ("MZBG" or "Group") is one of the world leaders in the production, processing and distribution of roasted coffee. With revenues of around 900 million Euro and more than 3,000 employees, the Group has a portfolio of more than 40 brands: some well-known at the international level, as the Segafredo brand, synonymous since 1960 with Italian espresso coffee, and other leaders in local markets, thanks to an identity able to merge tradition with new market trends.



Picture 1 - The main brands of the Massimo Zanetti Beverage Group, by geographical area

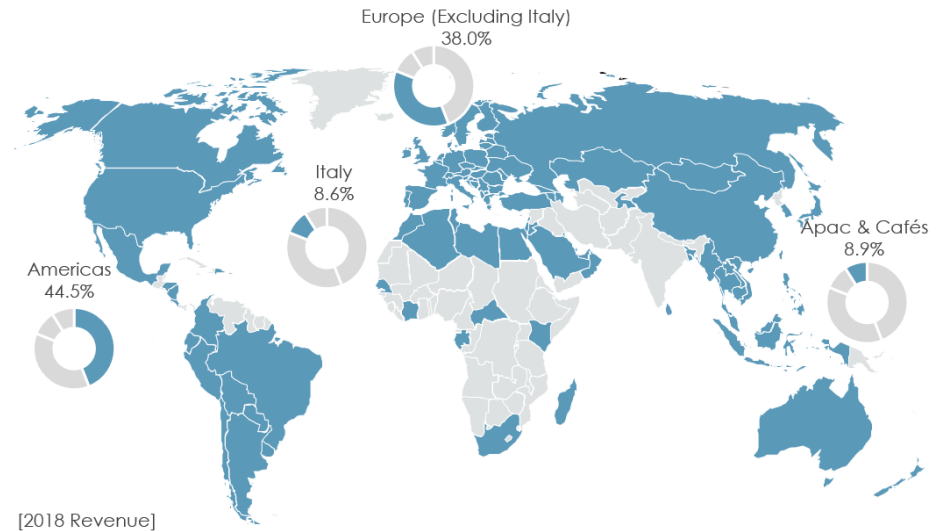
MZBG controls the entire coffee value chain, in more than 110 countries, and in all distribution segments.

The Group operates in the **Mass market** segment, which includes the national and international distribution chains, in the **Foodservice** segment, mainly cafés, restaurants, and hotels, and in the **Private Label** segment, a channel dedicated to Mass Market and Foodservice companies that sell under their own brands the coffee and the products provided by the Group.

Besides carrying out sourcing, roasting, packaging and sale activities, MZBG also operates in the design and manufacture of professional machines for bars and automatic machines for the office coffee service channel and manages a network with approximately 400 cafés worldwide.



MZBG has a significant presence in the United States, in Italy, in France, in the Iberian Peninsula, in Finland and in the Asia-Pacific region.

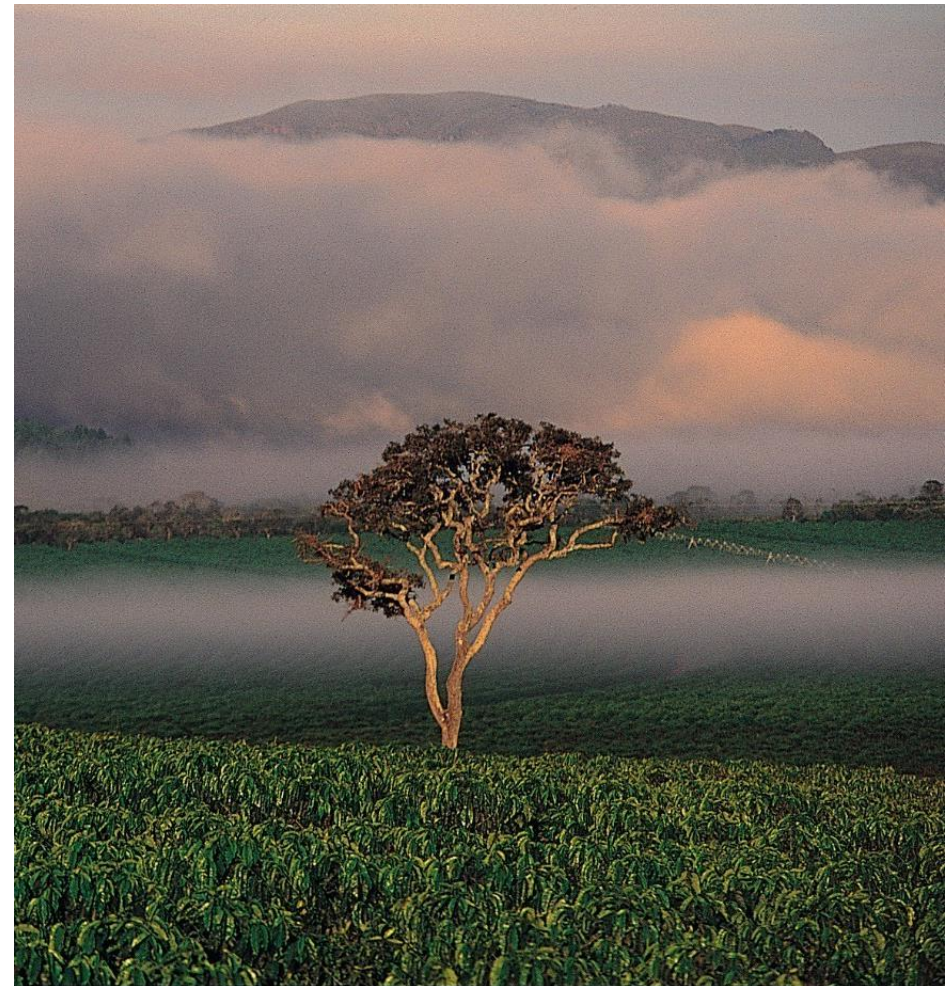
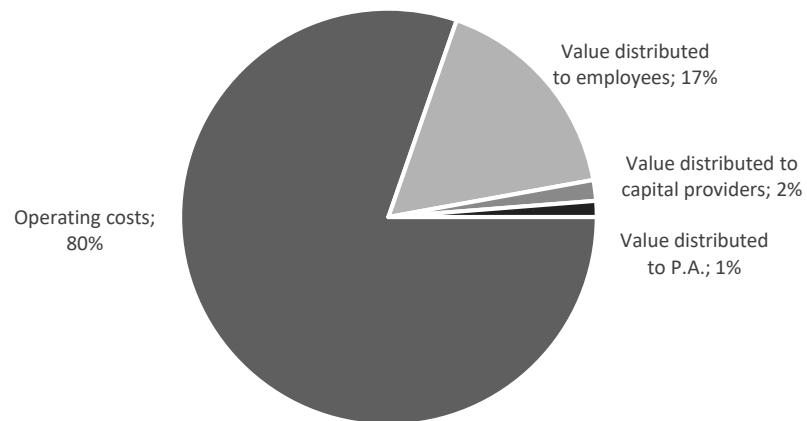


Underlying the strong international presence is a network of companies belonging to the Group, of which 18 are involved in roasting, and 36 conduct commercial operations, with a direct presence in 35 countries.

The combination of these activities translates into a broad product portfolio, which encompasses all types of roasted coffee, from ground to coffee beans, instant coffee, coffee pods and capsules. The range is rounded off with other products such as tea, spices, cocoa and chocolates, purchased as finished products from a network of selected suppliers.

The value generated and distributed to stakeholders

In 2018, the economic value generated by Massimo Zanetti Beverage Group S.p.A.¹, the parent company listed since 2015 in the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A, was approximately equal to €898 million. Of this, more than €845 million, equal to 94%, was distributed to stakeholders: 17% was distributed to the workforce, 80% to the suppliers of goods and services, 2% to providers of capital and 1% to the Public Administration.



¹ Controlled by MZ Industries S.A. with a 68.047% holding as at 31 December 2018.

A passion for coffee

Massimo Zanetti Beverage Group was born in the '70s, from the passion for coffee of the founder Massimo Zanetti. With the purchase of the Bologna coffee roasting plant Segafredo, Zanetti immediately adopted a strategy based on expansion in international markets and diversification: it was the start of a success story that has turned an Italian company into one of the key players in the coffee sector at the global level.



'70s

In 1973, Massimo Zanetti bought Industria Nazionale Coloniali Segafredo S.p.A., a roasting plant in Bologna operating mainly in the Italian market. From the very beginning, the objective has been to become the Italian reference point in the sale of roasted coffee through the bar and café channel, offering not only a quality product but also goods and services that would ensure customer loyalty, such as, for example, supplying professional machines to prepare the coffee on a free loan for use basis. This premise underlies the acquisition in 1976 of a majority shareholding in **La San Marco**, one of the leading Italian brands for the supply of professional coffee machines and equipment for bars.



'80s

The Group's business developed along two lines: consolidating the business in Italy and establishing production facilities abroad. In Italy, the company acquired new market shares in the Mass Market segment by entering into the first agreements with the large national retail chains; on the international front, it acquired some companies with production facilities (Austria and France), created new companies (Portugal and Spain) and signed agreements with distributors (Germany, England, United States and Australia). During this time, the acquisition of **Cofiroasters**, was finalised, a Swiss company operating in green coffee trading². The eighties also marked the start of the first advertising campaigns, which were among the most celebrated in Italy during that era, and some sport sponsorships including those for McLaren, with drivers Niki Lauda and Alan Prost. This period, lastly, also sees the first Segafredo Zanetti espresso branded cafés, which were mostly managed on a franchising basis.



'90s

The Group continued to pursue its growth strategy ensuring continuity with the previous strategic decisions. On the one hand, the promotion of the Segafredo Zanetti brand continued especially in Italy, with successful advertising campaigns (including, the "Segafredo Moment" with Renzo Arbore), while on the other, international expansion continued with the establishment of new commercial companies in Germany, Belgium, Holland, Hungary and the Czech Republic, and the acquisition of the Dutch company **TikTak**. In the second half of the 1990s the process of internationalisation moved beyond Europe, with the acquisition of **Café Nova Suissa** in Brazil and a distributor in Australia.



² Today a related party of the Group in that it is indirectly controlled by MZ Industries SA.

'00s

The Group's global expansion continued, with the acquisition of **Meira**, one of the largest coffee companies in Finland (with the well-known brand Kulta Katrina), and the establishment of distribution companies in Central and Eastern Europe and South America. The launch of "portioned" coffee pods and capsules for the office and residential segments led to the establishment of Segafredo Zanetti Coffee System S.p.A. The most significant investments took place in 2005, with the acquisition of a **business unit in Sara Lee Corp.** based in Suffolk, Virginia. This enables MZBG to add a modern roasting plant to its assets with its four historic retail brands: **Chock Full o'Nuts, MJB, Hills Bros and Chase and Sanborn.**



'10

The commercial expansion process in North America continued with the acquisition of **Kauai Coffee**, which manages inter alia, the business related to the cultivation of green coffee in one of the largest and most productive coffee estate in Hawaii. MZBG also becomes the owner of a business unit that includes a roasting plant in **Moonachie**, New Jersey. To support of the international Segafredo Zanetti brand, sponsorship was provided, which included the partnership with the Italian national soccer team and participation in the finals of the Barclays ATP World Tennis Tour. Franchising was also developed with the launch of new formats under the Puccino's and Chock Full o'Nuts brands. 2013 saw the start of the process to reorganise the Group's structure, followed in 2014, by the acquisition of the Boncafé Group, which operates in Asia and the Middle East. On the basis of this structure MZBG went on to be **listed on the stock exchange** in 2015.



Today

Between 2015 and 2018, the Group completes the acquisition of **Nutricafés S.A.** that, after the merger with Segafredo Zanetti Portugal, becomes MZB Iberia. The Group also continues to invest, acquiring shareholdings in strategic, expanding markets such as Canada (**Club Coffee**), Australia (**Tru Blue**) and Indonesia (**PT Caswells**).

At the end of October 2018, the Group announces the acquisition of **The Bean Alliance**, an Australian group well-known for product innovation, in particular in the "local roasted" channel that has a significant growth potential, and for the focus on sustainability, proved by its many awards and certifications. The acquisition of The Bean Alliance, completed in February 2019, strengthens the presence of Massimo Zanetti Beverage Group in Australia and provides another important growth opportunity in the Asia Pacific region.



**— ORGANIC —
CHAMPION
2019**

WINNER 2019 CERTIFIED ORGANIC NON-ALCOHOLIC BEVERAGE OF THE YEAR
Consumers claim to spend 10 - 40% of weekly shop on organic products*. Increase your organic and Fairtrade offerings with the award winning bean ground & drunk coffee range. Quality beans, freshly roasted in Melbourne.

*Source: Australian Organic market report 2017

BEAN GROUND & DRUNK, SINCE 2003

13 15 17



1.2 Governance and risk management

Massimo Zanetti Beverage Group has adopted a corporate governance system in compliance with the provisions in force. The Parent Company follows the recommendations and rules provided in the **Corporate Governance Code of Borsa Italiana S.p.A.** for listed companies ("Corporate Governance Code"), to ensure compliance with principles of good management and to increase the reliability of the Group in the interest of all its partners, shareholders and other stakeholders.

To ensure honesty, efficiency and transparency in the conduct of the business and corporate activities, to protect its own position and image and to meet the expectations of all stakeholders, the Board of Directors of Massimo Zanetti Beverage Group S.p.A., after verifying that the standards of conduct, the organisational structure and the procedures already adopted complied with the objectives of Decree No. 231, adopted and implemented its own organisational, management and control model ("**Model**" or "**Organisational Model**") and created a Supervisory Board as per Leg. Decree No. 231, which will monitor the compliance, operation and update of the Model. Moreover, Segafredo Zanetti S.p.A., Segafredo Zanetti Coffee System and La San Marco S.p.A. have adopted organisational models with characteristics similar to the model adopted by the Parent Company.

The Board of Directors (BoA) plays a key role in the guidance and management of MZBG and the Group and is responsible for the most important economic and strategic decisions.

The Board of Directors of Massimo Zanetti Beverage Group S.p.A. – with reference to the information required by Art. 10, paragraph 1 of Legislative Decree No. 254/16 on the diversity of the administrative, management and supervisory bodies – consists of 9 people, of which

4 are women and 5 men as detailed in the table below. For further information, reference is made to paragraph 4.2 in the 2018 Corporate Governance and Ownership Structure Report. The Company adheres to legislation relating to gender balance in its management and controlling bodies.

Gender	Age group	Unit of measure	2016	2017	2018
Men	Between 30 and 50 years old	No.	1	1	2
	Over 50 years old	No.	5	4	3
Total Men		No.	6	5	5
Women	Between 30 and 50 years old	No.	2	4	3
	Over 50 years old	No.	1	-	1
Total Women		No.	3	4	4
TOTAL		No.	9	9	9

The system of preventive controls on intentional and non-intentional crimes is based on the organisational model adopted pursuant to Decree No. 231/2001. This model provides for the following elements that have been adopted by the Group: The Code of Ethics, a formal organisation structure in line with the activities carried out, training activities to improve the knowledge of the workforce, an efficient management of the internal control and risk management system, an independent Supervisory Body and a formal sanction system.

Pursuant to Art. 7 of the Corporate Governance Code, the internal control system involves, each within the limits of its own competence, the Board of Directors, the Audit and Risk Committee, the SCIGR Director, the Board of Statutory Auditors and the Head of the Internal Audit function.

Within the Board of Directors, the **Audit and Risk Committee**, consisting of 3 independent directors, has been given the task of supporting the Board with propositional and consultative functions, in its assessments

and decisions regarding the internal audit and risk management system.

The **SCIGR Director** is in charge of the internal audit and risk management system: among other tasks, the SCIGR Director identifies the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries and implements the guidelines provided by the Board of Directors.

The Board of Statutory Auditors supervises compliance with the law and bylaws, compliance with the principles of sound administration and, in particular, with the adequacy of the organisational, administrative and accounting procedures adopted by the company and its operations. The statutory audit of the financial statements and consolidated financial statements is entrusted to the independent audit firm PricewaterhouseCoopers S.p.A., pursuant to Italian Legislative Decree No. 39/2010.

Given the complexity of management operations and taking into account that risk taking constitutes a fundamental and essential component of the business, on 31 January 2019, the Board of Directors approved the "2019 Risk Assessment" document that identifies the key business risks and describes the controls and measures put in place to monitor each risk, and assesses each of these risks (Risk Management process). The Risk Assessment report was prepared taking also into account the non-financial risks incurred by the company, which are presented in the table and in the paragraph that follows.



The Group Risk Management is based on the COSO framework

Picture 2 - MZBG risk identification and management model

Non-financial risk and its management

Material issues	Area Leg. Decree No. 254/2016	Type of risk	Risk
Packaging and sustainable innovation	Environmental aspects	Strategy and business	<ul style="list-style-type: none"> - Failure to observe and follow new market trends resulting from the introduction of coffee-based products (i.e. single-serve coffee products, coffee-flavoured drinks, compostable products, etc.) and new technologies relevant to the coffee sector (i.e. B2C coffee machines) - Failure to respond to changes in packaging regulations and to consumers' requirements in this area
Energy efficiency and climate change	Environmental aspects		<ul style="list-style-type: none"> - Failure to meet the environmental requirements of customers and consumers - Risk associated with climate change and its consequences in terms of supplies (plant disease, loss of biodiversity, floods, and other events that might disrupt the supply chain)
Responsible waste management and circular economy	Environmental aspects	Regulatory compliance / reputational /strategy and business	<ul style="list-style-type: none"> - Failure to comply with Italian/European environmental laws outside the European Union
Sustainability and traceability of procurements	Social aspects	Strategy and business	<ul style="list-style-type: none"> - Use of suppliers employing illegal workers - Failure to acquire social/supply chain certifications demanded by the market - Risk associated with safety of geopolitical context and perception of social safety (e.g. terrorism) in regard to the continuity of the supply chain - Potential disruption of operations associated with the delivery of raw coffee by suppliers and compliance with quality, quantity and timing standards
Product quality and safety	Social aspects	Regulatory compliance	<ul style="list-style-type: none"> - Failure to meet requirements specified in terms of mandatory product certifications (e.g. CE marking). - Failure to meet the requirements specified for the food sector in terms of production processes and/or quality standards demanded by customers on food safety (HACCP, Fairtrade, etc.). - Failure to meet specific requirements made at the individual country level. - Use of raw materials that is contaminated/unsafe for consumers.
Listening and communicating with customers and consumers	Social aspects	Regulatory compliance	<ul style="list-style-type: none"> - Customer data breach/loss.
Protection of human rights along the value chain	Human rights	Regulatory compliance/ operational and reputational	<ul style="list-style-type: none"> - Violations of the human rights of the local communities from which the Group buys coffee (e.g. child labour, forced labour, right to land of indigenous populations). - Human right violations by suppliers of raw material (e.g. child labour, forced labour, right to land of indigenous populations). - Potential use of suppliers employing illegal workers

Material issues	Area Leg. Decree No. 254/2016	Type of risk	Risk
Compliance, ethics and integrity	Fight against corruption	Operational and reputational	<ul style="list-style-type: none"> - Unfair competition on the market/ monopolistic behaviours - Significant fines/penalties - Risk associated with a management attitude not in line with principles of ethical behaviour. - Risk associated with the potential adoption of unfair business practices with third parties by employees and/or agents (active corruption) - Risk associated with the potential bribery of employees by suppliers (passive corruption) - Some Group companies operate in countries with a high environmental risk associated with corruption
		Regulatory compliance	<ul style="list-style-type: none"> - Risk associated with absence of rules and mechanisms for the management and control of the activities and the performance of the organisation (e.g. in regard to the adequacy of the 231 Model) - Risk associated with the failure to comply with laws and regulations on market abuse (e.g. identification and notification to the persons having access to inside information)
Diversity and equal opportunities	Personnel management	Regulatory compliance	<ul style="list-style-type: none"> - Risk associated with a failure to comply with CCNL (national collective labour agreements) / former Workers' Charter / other labour laws and regulations (e.g. contributions, child labour) - Risk associated with a failure to comply with changes in legislation on employment contracts
		Operational and reputational	<ul style="list-style-type: none"> - Risk of dissatisfaction among workers due to pay gaps (men/women, with respect to competitors, with respect to the geographic context, etc.). - Risk associated with an inadequate perception and therefore safeguard of the needs of less represented categories (e.g. women, other vulnerable categories)
Health and safety in the workplace	Personnel management	Regulatory compliance	<ul style="list-style-type: none"> - Risk associated with workplace health and safety (safety measures – PPE, fire prevention, etc.- and working conditions adequate to the specific risks, safety data sheets, health services of the countries in which the Group operates)
Professional well-being and retention	Personnel management	Strategy and business	<ul style="list-style-type: none"> - Risk associated with turnover and loss of resources - Risk associated with the safeguard of corporate know how as a result of voluntary departures - Risk associated with low turnover / aging workforce - Risk associated with recruitment difficulties - Risk associated with the difficulty of managing "technology" changes (introduction of new technologies) and change management - Risk of adopting unsuitable remuneration policies, which do not motivate the workforce to achieve the corporate targets specified in the strategic plan - Risk associated with inadequacy of the corporate organisation chart and/or inefficiency with respect to operational and regulatory requirements (description of the roles and responsibilities expected against CV adequacy of positions filled)

The management of the non-financial risks of MZBG today mostly pertains to the individual Group companies. Following strategic/management guidelines defined by senior management, these operate autonomously, in line with the operational model that has always characterised the conduct of Massimo Zanetti Beverage Group.

In line with this approach, as described in paragraph “1.3 – *The sustainability strategy path*”, in 2018, MZBG decided to strengthen the centralised control on non-financial issues and to specify some policies to monitor the issues believed to be most significant in terms of risks and impacts for the Group, policies that will be published in 2019.

In this changing context, therefore, there are substantial differences in the procedures followed by the different Group companies to manage the risks listed above.

In regard to the **environmental aspects**, the individual companies are called by the Group to implement suitable mechanisms to manage the business risks and their impact, in compliance with the applicable regulations in force in each country. Besides constantly monitoring the current legal and regulatory provisions, which is guaranteed by all Group companies, some of them (such as La San Marco, Meira, Café Montaña in Costa Rica, Segafredo Zanetti Italia, Segafredo Zanetti Poland, Massimo Zanetti Beverage Vietnam, Boncafè Thailand and Segafredo Zanetti France) have interpreted this directive by implementing environmental management policies, procedures or targeted systems, as described in more detail in chapter 3.

To monitor the risks associated with the management of **procurements** (see chapter 5. *Procurement practices*), Group companies have specified procedures for the selection and management of suppliers, based on quality, convenience and

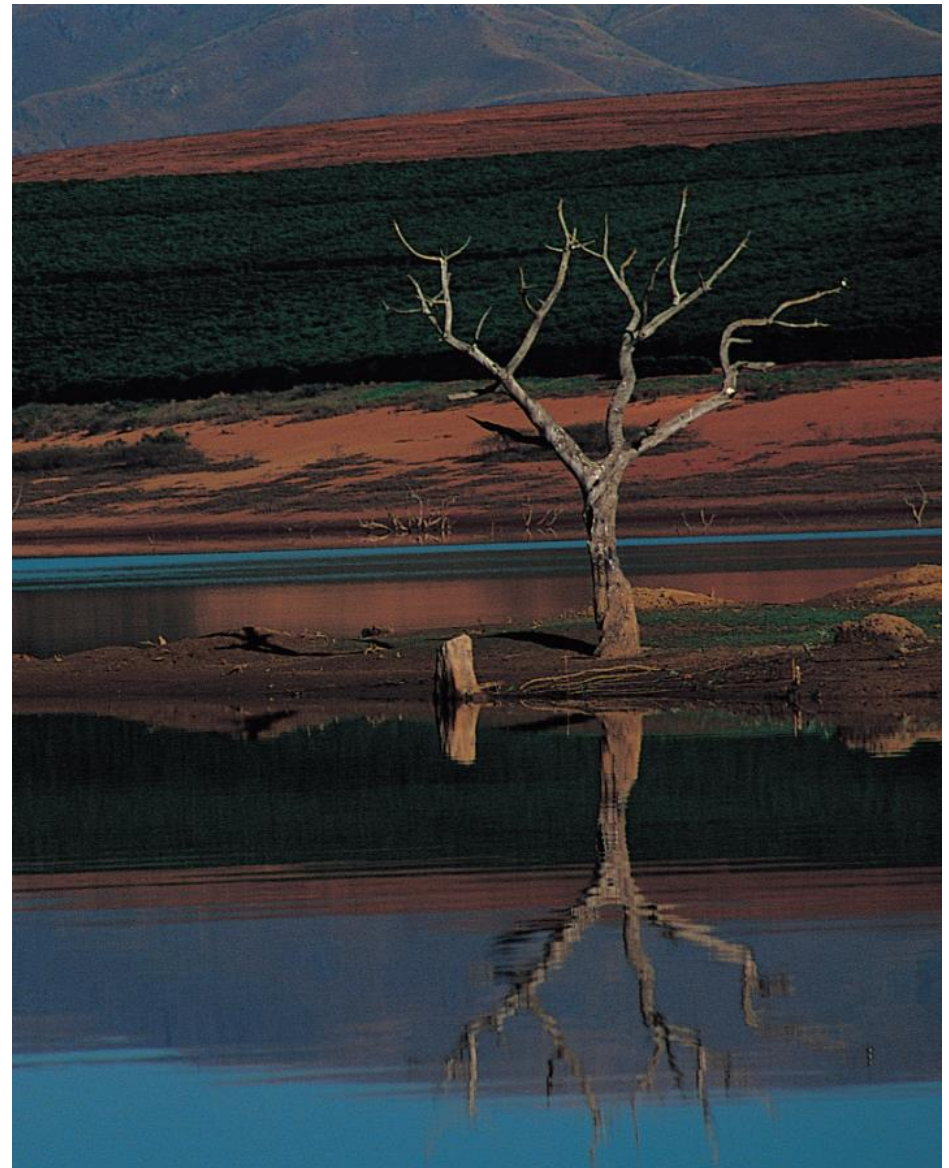
lawfulness criteria, often in regard to the specification of certain contractual clauses. For the more structured companies, these criteria represent a veritable “supplier management system”: this may include criteria for approval based on social and environmental issues as is the case, for example, at Segafredo Zanetti Brazil, Café Montaña, Boncafé Middle East, Boncafè Thailand, Brodies, Meira and Segafredo Zanetti France. Massimo Zanetti Beverage USA has drafted a **supply procedure**, which provides for full compliance with the quality standards set at the federal level in the United States. In addition, all Group companies buy an increasing share of **certified raw material** (today approximately 10% of all green coffee bought is certified): this must comply with the highest and best-known product standards, such as UTZ, Rainforest Alliance, Fairtrade and the “Organic” certification.

The risks associated to food quality and safety are managed through **quality management systems**. In this context, Segafredo Zanetti France, Segafredo Zanetti Italia, Meira, Massimo Zanetti Beverage Iberia, Boncafé International, Segafredo Zanetti Brazil, Café Montaña and Tik Tak are certified to **ISO 9001** standard. Massimo Zanetti Beverage USA, the largest company of the Group in terms of production volumes, has instead drafted a special **quality manual** for its products. In addition, many Group companies are certified to different **international food safety standards**: for more information on these issues, see chapter 4. Quality for customers and consumers

As explained in chapter 2. *Governance, ethics and compliance*, the **Code of Ethics** of the Group is a key element of the internal control system of the Massimo Zanetti Beverage Group and of all companies controlled by this. MZBG and the Italian subsidiaries Segafredo Zanetti Italia, Segafredo Zanetti Coffee System and La San Marco have adopted their own **Organisational, Management and Control Model under Legislative Decree No. 231/2001** and created a special

Supervisory Board. The prevention of corruption and the compliance with the principles of business ethics and honesty is regulated, not only by the Group Code of Ethics, but also, within the individual companies, by special **procedures** (as in the case of Café Montaña and Boncafé Malaysia), by dedicated **risk assessments** (Brodies), by **internal audits** carried out by the Internal Audit Function of the Group or by the supervision of special bodies, such as the **Ethics Committee** at Café Montaña.

The different Group companies have also implemented many mechanisms to monitor the risks arising in regard to Human Resources, as described in chapter 6. *Personal development*. Some companies have implemented **performance assessment** systems based on annual targets (Segafredo Zanetti Brazil, Café Montaña, Massimo Zanetti Beverage Deutschland, Boncafé Middle East, Massimo Zanetti Beverage Japan, Boncafé Thailand, Segafredo Zanetti Poland and Boncafé Malaysia). In addition, to limit employee turnover, **employee surveys** are carried out: this is the case at Meira, Segafredo Zanetti Brazil, Boncafé Middle East, Segafredo Zanetti Austria, Segafredo Zanetti Japan, Boncafé Thailand and Tik Tak. In other companies, **recruitment procedures** (Massimo Zanetti Beverage USA, Massimo Zanetti Beverage Vietnam and Segafredo Zanetti Coffee System) or **benefit procedures** (Massimo Zanetti Beverage Vietnam) have been adopted. Massimo Zanetti Beverage USA has drafted an **equal opportunity policy**, while Segafredo Zanetti France has signed the **Charte de la Diversité**, which promotes diversity in all forms. To monitor the risks associated to the health and safety of the employees, some companies, such as Massimo Zanetti Beverage USA, Segafredo Zanetti Italia, and Meira, have implemented specific policies, management systems and procedures, besides complying with all national laws and regulations in force.



1.3 The sustainability strategy path

“The sustainable blend”: towards a strategic approach to sustainability

In Massimo Zanetti Beverage Group, sustainability is synonymous with quality and responsibility. These are principles that the Group promotes not only in its relations with customers and consumers, the ultimate judges of its ability to provide excellent products that meet market requirements and standards, but also in the relations with all stakeholders, from shareholders to employees and the local communities in which MZBG operates, with a “giving back to the community” approach that has long been part of the DNA of the Group.

In 2018, MZBG carried out a first discussion on how **“to plot a new course”** at the Group level, addressing the social and environmental issues most significant for the sector and for the stakeholders, providing a common direction to the initiatives taken by the individual companies of the Group.

A Sustainability Roadmap has therefore been laid out, aimed at structuring a Group action starting from the initiatives, practices and experiences of the five largest companies: **Massimo Zanetti Beverage USA, Segafredo Zanetti Italia, Segafredo Zanetti France, Meira and Boncafé International Group.**

The managers of these companies were involved in many activities and workshops, aimed at identifying potential actions to be taken to lay out a common sustainability strategy on four strategic areas: **environmental responsibility, quality for customers and consumers, procurement practices and personal development.**

The result of the work carried out is summarised in the formula **“The sustainable blend”**: a plan that will be updated regularly and that spells out the guidelines and the actions that the Group intends to

carry out in the next few years starting from the five companies in question.

“The sustainable blend” is not a one-off exercise, but represents the first step for a true change of course, to increase the knowledge of non-financial issues at all levels of the corporate organisation and to provide a common response in a constantly evolving context. Every year, MZBG shall substantiate this strategy with practical actions, which will gradually lead to the development of a Group approach to sustainability issues, able to marry the requirements of the individual companies at the local level with a systemic contribution to the implementation of the sustainable development agenda on an international scale.



“The sustainable blend”

5 companies

Massimo Zanetti Beverage USA

With 2 roasting plants and 4 distribution centres, the company is among the US market leaders, with storied brands as Chase&Sanborn, Chock full or’Nuts, Hills Bros and Kauai.

Segafredo Zanetti Italia

Leader of the sector in Italy, the company is active on all distribution channels, bars, restaurants and supermarket chains. Its mission is to spread the knowledge of Italian espresso coffee worldwide.

Segafredo Zanetti France

Located in Rouen, the company is one of the biggest players in the distribution chains in France as well as in the Italian coffee segment at the national level.

Meira

Meira is active in the roasting and distribution of coffee and spices. It is among the market leaders on all distribution channels in Finland, the country with the highest level of coffee consumption in the world, and in the Baltic countries.

Boncafé international

Born as a small roasting plant with the objective of exporting the European coffee tradition to Singapore, today Boncafé distributes its products in 15 countries, in Asia, Europe, South America and Africa.

4 discussion groups

ENVIRONMENTAL RESPONSIBILITY

To preserve natural resources is key for MZBG, in the interest of current and future generations and in a context of increasing pressure from regulators and stakeholders, including customers.

Energy

Climate change

Circular economy

Packaging

QUALITY FOR CUSTOMERS

The quality is an evolving concept and a course of constant improvement: MZBG shall continue to work to maximise the satisfaction of customers and consumers

Food safety

Traceability

Customer relations

PROCUREMENT PRACTICES

The “sustainable” management of the supply chain is a key issue for coffee companies, which carries high-impact risks and opportunities for their reputation and business

Supplier management

Human rights

Local communities

PERSONAL DEVELOPMENT

A motivated and skilled workforce is one of the key factors of the long-term competitiveness of a company and MZBG wants create a stimulating workplace, able to attract the best talents

Welfare & benefits

Training, development

Retention

Health and Safety

5 actions

1) Governance of sustainability to promote a new internal culture

The discussion groups become operating and decision-making units on sustainability issues, with the gradual involvement of the top management

2) A common approach to environmental policy

The Group shall develop a common environmental policy and set environmental targets starting from the 5 most significant companies.

3) The quality as priority, starting from the exchange of best practices

The development of a common approach shall contribute to the optimisation of the processes, also in terms of management of the relations with customers and consumers.

4) Sustainable Coffee Challenge and Procurement policy to standardise the approach of the Group

Defining new common rules and projects aimed at maximising the impact on the supply chain

5) Guidelines for human resource management

Starting from key issues such as training, performance assessment and remuneration

Approach to non-financial reporting

Since last year, given that MZBG is a large-scale public interest entity, it is obliged to provide non-financial reporting pursuant to Legislative Decree No. 254 of 30 December 2016 (hereinafter the "Decree"), which implements Directive 2014/95/EU.

The Group has therefore started a process of reporting of non-financial information in compliance with the *GRI Standards*, the most widely used standards for sustainability reporting.

An integral part of this process is the identification of the issues deemed material by the Group and its stakeholders through the construction of a **materiality index**.

In 2018, MZBG has updated its materiality analysis, starting from the inputs of the discussion groups mentioned above and from the ongoing dialogue with the stakeholders, activities that have allowed it to assess the consistency of the material sustainability issues previously identified.

Besides confirming the issues previously identified as material, the update process has led to the identification of two new issues for the Group: **Packaging and sustainable innovation** and **Professional well-being and retention**.

The results of the analysis can be seen in the materiality index below and in the following table: for each relevant issue, we have provided a short description, the chapter in which information on the issue can be found and a reference to the relevant section of the Decree.

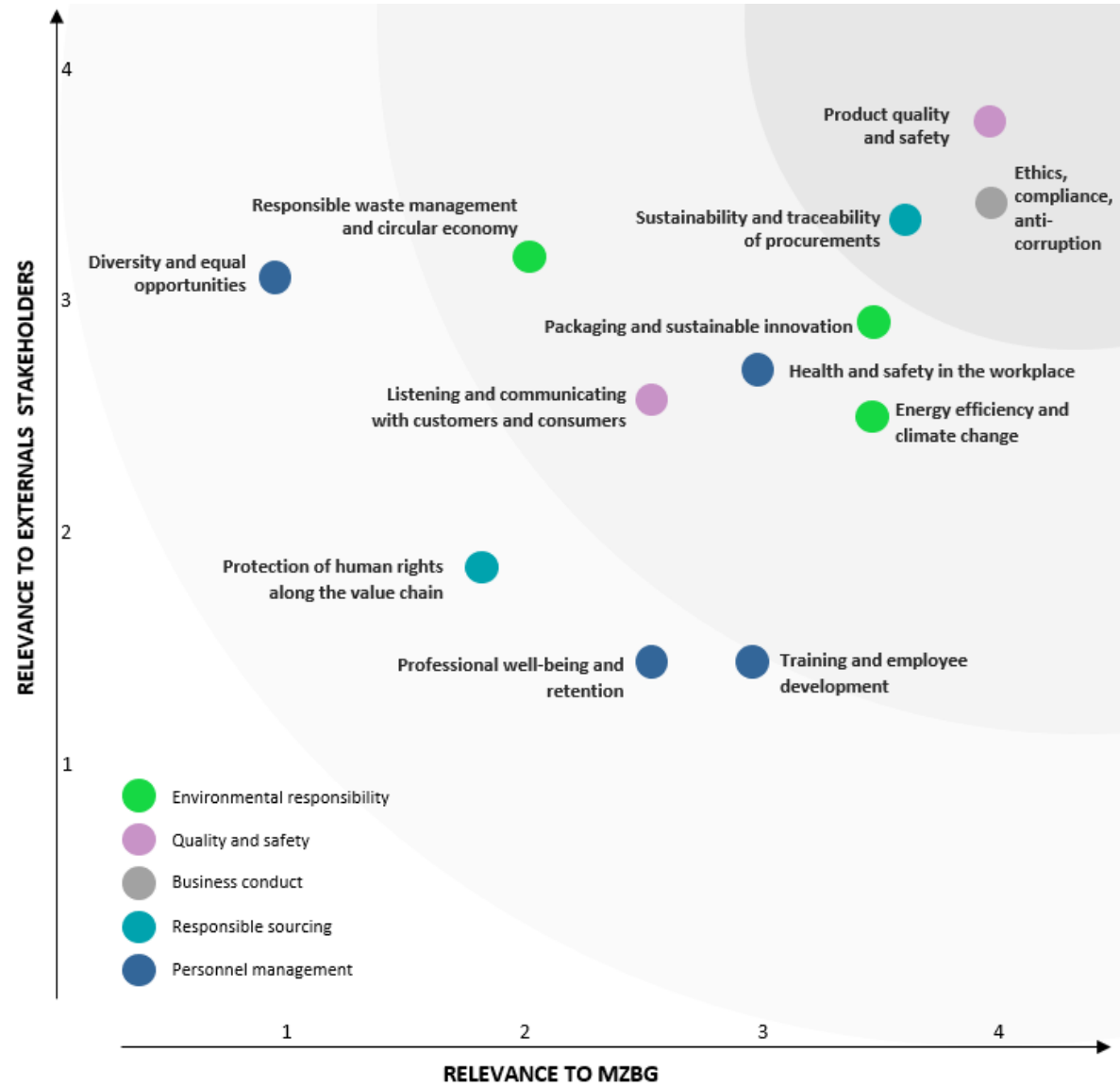
Dialogue with stakeholders

The dialogue with the stakeholders is key for MZBG. The Group strives to ensure a continuous, two-way communication, providing and receiving feedback on its initiatives and strategies.

Every year, the companies of the Group carry out many initiatives to promote the dialogue and communication with its internal and external stakeholders. Different instruments are used: from targeted dialogue initiatives, to contacts through internet channels and customer services (website, social media, etc.).

The inputs provided by the stakeholders are the starting point for the definition of targeted response strategies and are used, within the reporting process, to direct the reporting towards the non-financial issues most relevant to the stakeholders, identified through the materiality analysis.

Group Stakeholder	Main communication channels
Employees and contractors	<ul style="list-style-type: none"> • Constant communication through different channels (intranet, newsletter, etc.) Employee satisfaction surveys (for some companies) • Regular meetings
Customers and consumers	<ul style="list-style-type: none"> • Market research • Tests, focus groups, questionnaires • Social media • Company websites • Events • Customer service • Newsletter
Barmen	<ul style="list-style-type: none"> • Training courses (Accademia Segafredo) for a professional, high-quality service
Suppliers	<ul style="list-style-type: none"> • Co-product development • Business meeting
NGOs and local communities	<ul style="list-style-type: none"> • Charitable activities and contributions to external exhibitions and shows • Activities carried out at the local level in favour of the local communities
Competitors	<ul style="list-style-type: none"> • Participation in discussion panels
Trade associations	<ul style="list-style-type: none"> • Regular meetings
Trade unions	<ul style="list-style-type: none"> • Constant dialogue and fulfilment of obligations deriving from the negotiation with the trade unions
Shareholders and financial community	<ul style="list-style-type: none"> • Shareholders' Meeting • Reports on management • Press releases and investor presentation • Analyst call • Investor meeting, roadshow and investor conference • Dedicated email address investors@mzb-group.com
Schools and universities	<ul style="list-style-type: none"> • Presentations at Universities and Master programs



2018 MZBG materiality index

Topic	What it means for MZBG	Where it is addressed in this document:	Scope under Legislative Decree 254/2016	
1	Ethics, compliance and anti-corruption	<i>Respect for the values, principles, standards and rules of conduct that guide corporate behaviour, including in terms of anti-corruption, correctness in negotiations and fair trade.</i>	Governance, ethics and compliance	Fight against active and passive corruption
2	Product quality and safety	<i>Attention to the safety of the product starting from the selection of raw materials and production procedures, and quality control in line with the highest international standards.</i>	Quality and safety for consumers	Social impacts
3	Listening and communicating with customers and consumers	<i>Monitoring customers and consumers' perceptions, both in terms of evolving tastes and their satisfaction, and clear disclosure of all relevant product characteristics.</i>	Quality and safety for consumers	
4	Sustainability and traceability of procurements	<i>Paying attention to social and environmental conditions along the supply chain and ability to trace the product's "history", by monitoring all the key steps in the supply chain.</i>	Procurement practices	
5	Protection of human rights along the value chain	<i>Respect and promotion of human rights along the value chain and integration of these principles in the relevant management models and corporate processes.</i>	Procurement practices	Human rights
6	Energy efficiency and climate change	<i>Efficient and rational use of energy resources to improve performance and reduce greenhouse gas emissions associated with the businesses managed by the Group.</i>	Environmental responsibility	Environment
7	Responsible waste management and circular economy	<i>Reduction and overall waste management optimisation, with particular reference to production materials, food waste and packaging.</i>	Environmental responsibility	
8	Packaging and sustainable innovation	<i>Development of new packaging solutions aimed at reducing the consumption of materials and mitigating its environmental impact, guaranteeing at the same time a high product quality standard.</i>	Environmental responsibility	
9	Diversity and equal opportunities	<i>Promoting equal opportunities and diversity within the company in accordance with national and international conventions, legislation and guidelines.</i>	Personal development	Personnel management
10	Training and employee development	<i>Training and enhancement of human capital to ensure growth, managing and consolidating workers' knowledge base in line with the Group's requirements.</i>	Personal development	
11	Health and safety in the workplace	<i>Prevention, monitoring and reduction of risks related to health and safety for employees in the workplace.</i>	Personal development	
12	Professional well-being and retention	<i>Focus on the well-being of the employees and guarantee of a positive and attractive corporate climate.</i>	Personal development	

2. Governance, ethics and compliance

Ethics, compliance with applicable regulations and the fight against active and passive corruption represent some of the core values which underpin the way in which the Group - first of all with the Code of Ethics - conducts its business and manages relations with all stakeholders: shareholders, the financial community, customers, consumers, suppliers, business partners, communities, employees and institutions.

2.1 The Code of Ethics

The Code of Ethics is an essential component of the internal control system. Adhering to this ensures the Group avoids committing irregularities and unlawful practices in the countries where it operates. The adoption of certain standards of conduct is also the expression of the commitment of the Italian companies to the prevention of the crimes specified in Leg. Decree 8 June 2001 No. 231. The Code of Ethics applies to corporate structures, directors, managers, employees, auditing firms, statutory auditors, agents and contractors and anyone working significantly and continuously on behalf or in the interest of the Group.

The principles and values contemplated by the Code of Ethics refer to legality, responsibility, honesty and correctness, transparency, integrity, reliability, impartiality, respect, the protection of the environment and safety, quality and social responsibility, intended as protecting human rights and promoting the well-being of communities. These values must underpin all activities of the Group, even if these are carried out using suppliers, distributors, consultants, contractors or sub-contractors or through business partners, consortia and joint ventures. These players are called upon to promote the

assumptions in the Code of Ethics in the scope of their respective areas of competence.

2.2 The 231 Organisational Model

Massimo Zanetti Beverage Group S.p.A. has adopted an Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231 of 8 June 2001 relating to the Company's administrative responsibility ("**Decree 231**").

The adoption of the 231 Model represents a valuable tool for raising awareness and guiding anyone working in the name and on behalf of the Company, to ensure that when carrying out their activities, they behave in a correct and transparent manner, so as to prevent the risk of the committing the offences contemplated by the Decree 231, including corruption violations. The principles of the Model aim to a) make the potential offender fully aware of committing an unlawful deed and b) allowing Massimo Zanetti Beverage Group S.p.A. to prevent or react promptly to prevent the unlawful deeds being committed, thanks to ongoing monitoring of all activities.

The Special Part of 231 Model includes, inter alia, a section dedicated to offences against the Public Administration and a section on the offences of corruption between private individuals and incitement to corruption between private individuals. These sections provide a brief overview of the corruption offences that the Company intends preventing, identifying "sensitive" business functions, processes at risk and "instrumental" processes, the rules of conduct (DOs & DONT's) and preventative control measures.

Italian subsidiaries Segafredo Zanetti Italia S.p.A., Segafredo Zanetti Coffee System S.p.A. and La San Marco S.p.A. have adopted their own Organisational Models pursuant to Decree 231/2001 and appointed a Supervisory Board.

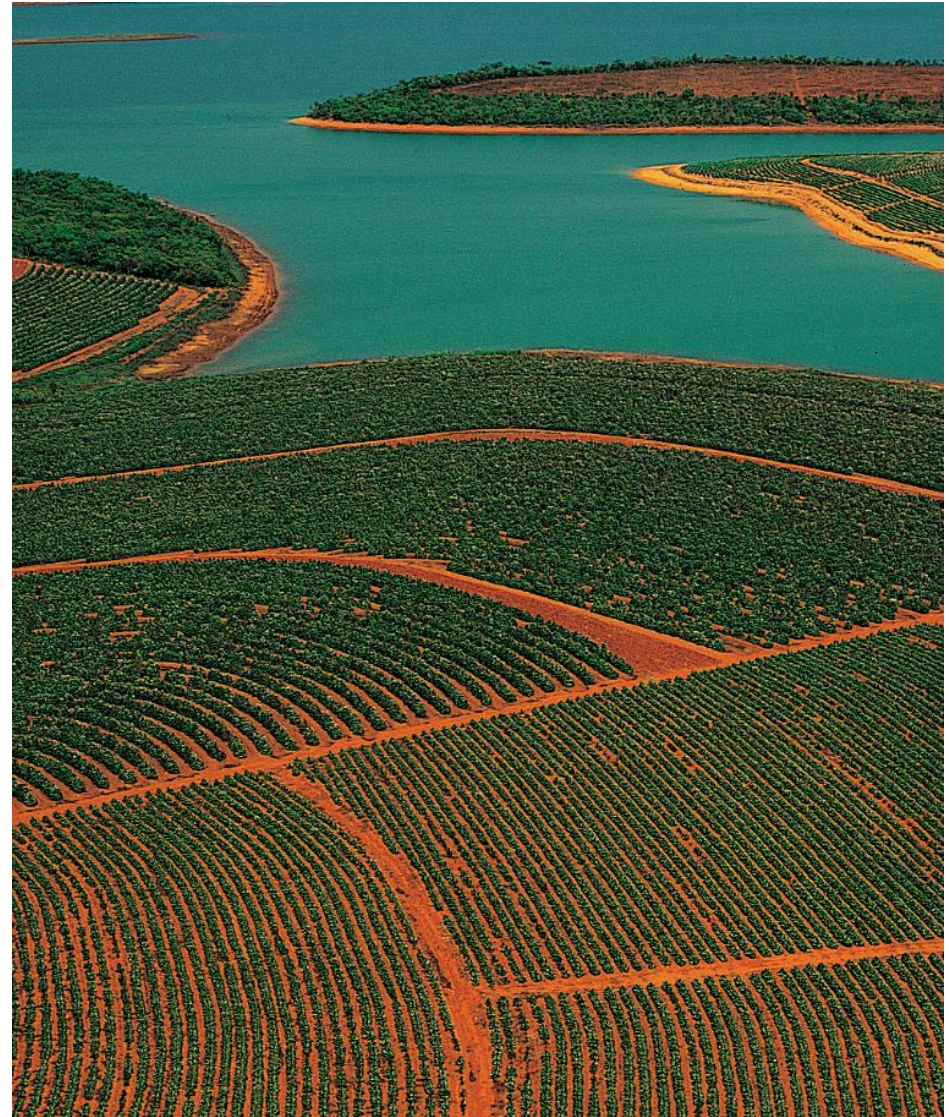
2018 has seen the adoption by Massimo Zanetti Beverage Group S.p.A. of an internal procedure on Market Abuse, which provides, in a single document, the principles and rules aimed at preventing market abuses, pursuant to EU Regulation No. 596/2014 and corresponding implementing regulations. The document consists of four parts:

- Market Abuse Procedure I – on the handling and processing of confidential information, as specified below; Market Abuse Procedure II – on the drawing-up, managing and updating of the list of persons who have access to inside Information;
- Market Abuse Procedure III – on internal dealing;
- Market Abuse Procedure IV – on market sounding.

The procedure has been made public and may be directly consulted on the Group website.

Pursuant to the EU regulations and corresponding implementation provisions, taking into account the guidelines issued by the European Securities and Markets Authority ("ESMA") and Consob as adopted in Market Abuse Procedure II, Massimo Zanetti Beverage Group S.p.A. has drawn up and updated the list of persons who have access to inside and relevant information in the execution of certain tasks or by virtue of a professional relationship with Massimo Zanetti Beverage Group and/or its subsidiaries.

Over the three-year period 2016-2018, no incidents of non-compliance with laws and regulations were reported in the economic and social areas [GRI 419-1], nor was any legal action undertaken for anti-competitive, anti-trust behaviour and monopolistic practices [GRI 206-1]. Similarly, there were no incidents of corruption [GRI 205-3].



3. Environmental responsibility

3.1 Challenges and the responses of MZBG

REFERENCE CONTEXT

Environmental sustainability is becoming increasingly important in the eyes of the public worldwide and it is one of the areas to which stakeholders pay most attention, also when it comes to the coffee sector.

As the civil society pays more and more attention to the waste of resources and new laws are approved, such as, for example, the Circular Economy Package – a set of measures and objectives contributing to "closing the loop" in Europe – or the European plastics strategy, which has set a new goal, making all plastic material used for packaging recyclable and reusable by 2030, companies are coming under increased pressure to address issues such as the management of waste and materials in all stages of the life cycle of the product.

Increasing attention is also being paid to other, more debated issues such as climate change and water management, which are especially relevant to the production of green coffee, partly as effect of the alarming conclusions reached by recent studies. With regard to climate change, for example, according to the **"Global Warming of 1.5°C"** report by IPCC³, it is only by halving greenhouse gas

emissions by 2030 and eliminating them completely by 2050 that global temperature changes might be contained under +1.5°C, a necessary condition to ensure that climate change does not put entire regions and production systems at risk. The same is true for water consumption: in 2050 4.8-5.7 billion people will live in regions exposed to a high risk of water shortage, between 30 and 50% more than the 3.6 billion people living in such regions today (UNESCO⁴, 2018).



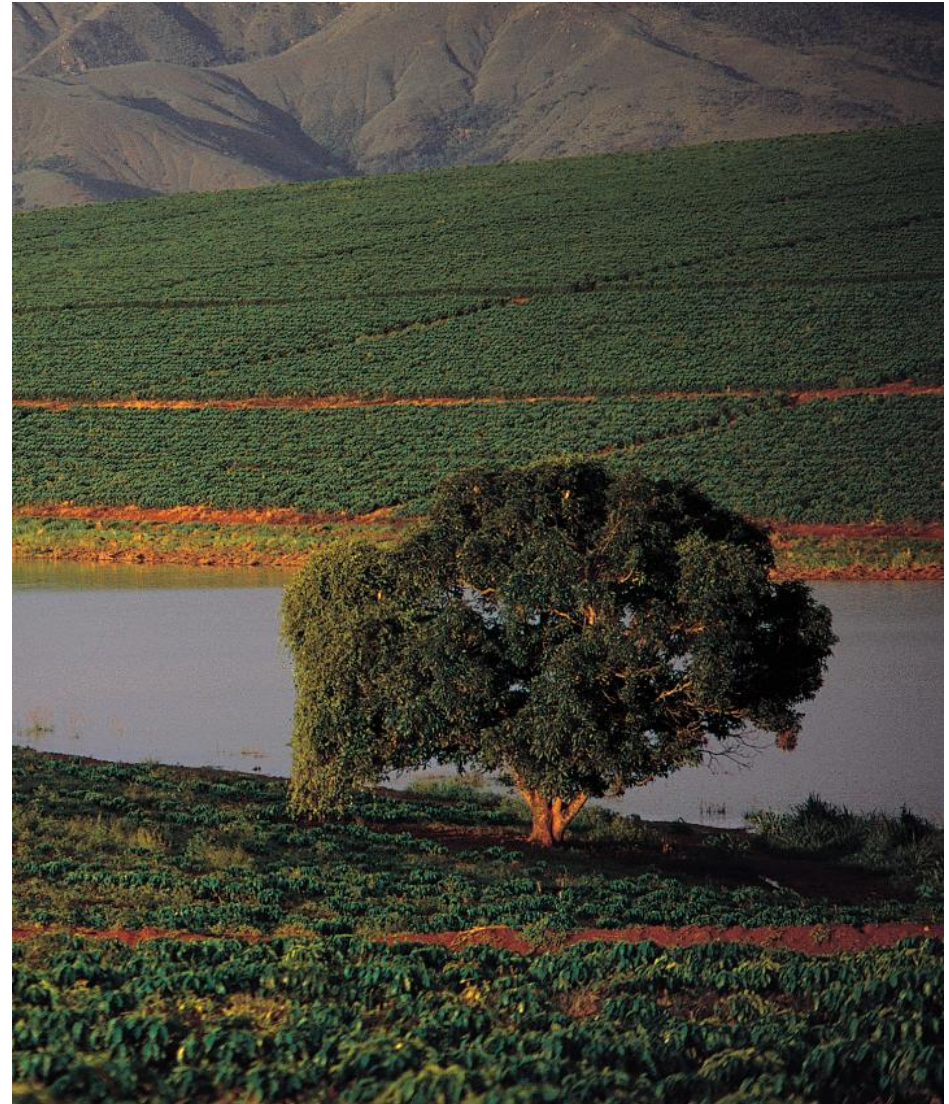
³ Intergovernmental Panel on Climate Change – IPCC. It is the scientific forum created in 1988 by two United Nations bodies, the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) to study global warming.

⁴ UN, 2018 *"The United Nations world water development report 2018: nature-based solutions for water"*

Approach to environmental issues

The operational management of the environmental aspects mentioned above pertains to the individual companies of the Group, due to the differences in the legal requirements of each country.

Six production companies (Segafredo Zanetti Italia, La San Marco, Segafredo Zanetti Poland, Massimo Zanetti Beverage Vietnam, Boncafè Thailand and Meira) have adopted a **structured environmental management system**. Among these, **Meira and La San Marco** have adopted an environmental management system certified to ISO 14001:2015 standard, the international reference in this area. **Segafredo Zanetti Poland** is one of the companies most active on these issues: for years, it has taken initiatives to reduce energy and water consumption as well as atmospheric emissions. In 2018, the company adopted an Environmental Policy in line with Polish legal requirements, accompanying the document with a “**Green Habits List**”, a set of rules providing key sustainability principles and good practices to encourage employees to adopt environmentally friendly behaviours.



KAUAI COFFEE: THE LARGEST SUSTAINABLE COFFEE ESTATE IN THE UNITED STATES

Kauai Coffee is the only company of the Massimo Zanetti Beverage Group directly involved in the coffee growing business.

With more than 4 million of coffee plants on the island of Kauai in Hawaii, the company manages the largest coffee farm in the United States according to principles of environmental protection and sustainability.

Special environmentally friendly techniques have been adopted, for example, to manage water resources. Kauai is in fact the **largest coffee company in the world in terms of use of drip irrigation**, with more than 2,500 miles of drip irrigation piping. This irrigation system allows the company to save and re-use water on the estate.

The use of chemicals is another key aspect. In 2018, the company has adopted, among its goals, a 70% reduction in the use of all types of pesticides and the full elimination of "restricted use pesticides" by 2021.

Kauai will also implement initiatives to reduce the use of chemical fertilisers by 67% over the course of five years, something which will be achieved without reducing productivity, through the regular rotation of cultivated fields and the use of composted organic matter with high fertilizing power. Besides allowing the soil to acquire nutrients, the regular rotation of cultivated fields will allow a decrease in water consumption of up to 20%.



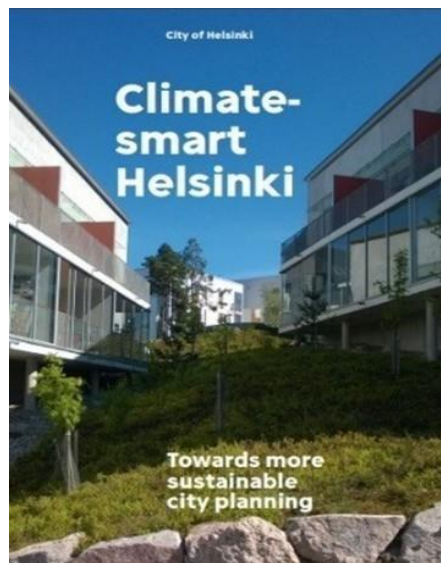
3.2 Initiatives, commitments and figures of the Group

Energy efficiency and climate change

As a result of the increased worldwide awareness of climate change and the adoption of initiatives to fight it, some companies of the Group have taken measures to reduce their carbon footprints: these measures have included the definition of emission reduction targets, specific choices in terms of energy supplies and logistics and fleet management services.

Meira, Massimo Zanetti Beverage USA and **Segafredo Zanetti France** have introduced in their business plans initiatives aimed at reducing greenhouse gas emissions.

Meira is supporting **Helsinki**, the city where its plant is located, in its plan to achieve **Carbon Neutrality**⁵ by 2035. The objective of the Finnish capital is recent: in September 2017, in fact, an action plan was announced with more than 140 initiatives to reduce Helsinki greenhouse gas emissions by 80% and to offset the remaining 20%. The main initiatives are directed at reducing energy consumption for heating by adopting new construction



standards for buildings and increasing the use of geothermal energy. Meira will set its energy saving targets in line with the Helsinki plan.

In 2018, in order to reduce and offset its emissions of carbon dioxide, **Segafredo Zanetti France** bought certified electricity from renewable sources to offset its entire energy consumption, thus contributing to prevent the issue of 132 ton of CO₂. The company has also overhauled its car fleet buying hybrid cars with lower CO₂ emissions.

To reduce greenhouse gas emissions related to the distribution of its products, **Massimo Zanetti Beverage USA** has started experimenting with intermodal freight transport (which combines transport by rail and by road). Compared with transport by road alone, this mode of transport allows the optimised management of the cargo, with units that may be easily transferred from one means of transport to the other, and therefore more efficient transport. It has been calculated that an increase of one percentage point in the products moved by intermodal freight transport leads to savings in terms of CO₂ emissions of more than 200 tons with respect to the traditional road transport. In 2018, the share of freight carried by intermodal transport was 9.2% of product volumes (up from 8.4% recorded in 2017): in this way, the company reduced its CO₂ emissions by about 1,840 tons. For 2019, the company has set the goal of increasing intermodal transport to 10% of total freight amount.

⁵ Carbon Neutrality is the result of a process of reduction and offsetting of the CO₂ emissions of a specific entity, so that total carbon dioxide emissions are equal to zero.

ENERGY EFFICIENCY AND PROCESS INNOVATION IN BONCAFÉ THAILAND

In 2018, the Thai subsidiary of the Boncafé International Group replaced its **coffee roasting machines**, increasing the energy efficiency of the roasting processes and reducing their impact in terms of atmospheric emissions. Through an internal afterburner, the new plant at the same time produces hot air, necessary to the roasting activities, and purifies it from pollutants once the process is completed through a system of channels. Energy consumption has therefore been reduced and emissions of fumes, odours and organic residues from the smokestacks have been eliminated.

ZERO-EMISSIONS DELIVERIES FOR BRULERIE DES CAFÉS CORSICA

Brulerie Des Cafés Corsica, an historic coffee roasting plant in Ajaccio, now uses **electric vehicles for its coffee deliveries in Ajaccio**, the capital and main economic centre of the island. With this initiative, the company was able to reduce its fuel consumption, guaranteeing to its customers a zero-emission delivery service.

The activities mentioned above in regard to energy supply policies and logistics strategies have contributed to lower the direct energy consumption of the Group. Notably, petrol consumption are stable compared to 2017 due to the overhaul of vehicle fleets carried out by some companies of the Group. Consumption of natural gas has fallen by 12% thanks to energy efficiency initiatives at the plants of the Group.

In 2018, MZBG recorded total energy consumption of approximately 618,886 GJ, down by 6% compared to 2017. [GRI 302-1]

Overall, electricity consumption decreased by 1% during 2018. Furthermore in 2018, 7% of electricity consumption came from renewable sources.

Energy consumption, in GJ

Direct consumption	2017	2018
Petrol	76,412	76,083
Diesel	75,509	74,950
Natural gas	309,291	271,531
LPG	25,693	25,484
Biogas	-	2,065
Total direct consumption	486,905	450,113
Indirect consumption	2017	2018
Electricity	142,561	141,223
Electricity from renewable sources	11,314	11,088
Energy for heating	14,878	14,841
Energy for cooling	115	118
Total indirect consumption	168,868	167,270
Total	655,773	617,383

Given the energy consumption recorded, and in accordance with the GHG Protocol (Greenhouse Gas Protocol), one of the most important international standards for the reporting of greenhouse gas emissions, CO₂ emissions are reported in the form of:

- **direct emissions** (Scope 1) arising from the activities of the Group or its subsidiaries, for example, the use of fuels for heating/cooling, roasting and transportation using company cars [GRI 305-1];
- **indirect emissions** (Scope 2) [GRI 305-2], for the transformation of energy bought and used by the company.

In 2018, global emissions came down 5.1% from 50,134 tons of CO₂ eq in 2017 to 47,571 tons of CO₂ eq.

Greenhouse gas emissions, in CO₂eq tons

Direct emissions	2017	2018
Petrol consumption	7,417	7,385
Diesel consumption	5,517	5,476
Natural gas consumption	17,444	15,212
LPG consumption	1,644	1,630
Total direct emissions	32,022	29,704
Indirect emissions	2017	2018
Electricity consumption	17,246	17,003
Energy consumption for heating	845	843
Energy consumption for cooling	22	22
Total indirect emissions	18,112	17,847
Total emissions (direct and indirect)	50,134	47,571

Note: The CO₂eq tons include the electricity produced from renewable energy sources in France, corresponding to 3,142,655 kWh.

Responsible waste management and circular economy

With regard to the management of waste deriving from production activities, there are many examples of virtuous management by individual MZBG companies, in particular those operating in Europe.

The initiatives carried out by the different companies embrace the concept of circular economy, today increasingly important in the coffee sector, especially for the management of production waste.

An example is given by **Segafredo Zanetti France**: here, all non-hazardous waste produced is recovered through special recycling channels (plastics, metals, carton), sold and reused by third parties (jute sacks) or used to produce energy (coffee scraps). Thanks to these measures, the company, for the second year running, has reached its target of sending zero waste to landfill.

Segafredo Zanetti Italia has also launched initiatives in this area. Currently, all jute sacks used for the transport of green coffee are resold to a company that gives them other uses, turning a waste product into a resource. For several years, moreover, the company collected the organic residue generated by roasting activities and converted it into pellets used for heating: this activity has now been suspended due to new regulatory restrictions, but alternative initiatives to make use of this type of waste are being considered. The company is also carrying out a series of assessments to implement, in the next few years, additional initiatives to process waste materials, with a circular economy approach.

Meira, in line with the provisions regulating its own internal management system, has implemented over time several waste management procedures, setting specific quantitative targets as well as targets for the disposal method. The goal set by the Finnish company is to ensure that zero waste is sent for landfill by 2020, minimising the environmental impact of its activity and gradually increasing the percentage set aside for recycling, which was 26% in 2018. The company had also set itself the target of recycling 25% of the waste generated. The target was reached and exceeded, reaching a value of more than 50%. The objective was pursued by

implementing programmes aimed at the recycling of plastic, glass and metals.

SECOND LIFE OF ORGANIC RESIDUE AT GROUP COMPANIES

Roasted coffee scraps do not need to become waste: they may be reused in new production processes and be turned into organic manure and agricultural fertilizer.

Many companies in the Group adopt this approach and place their production residue on the market through authorised companies.

Massimo Zanetti Beverage Vietnam, Segafredo Zanetti Brazil and Segafredo Zanetti Poland have taken part in this type of initiative.

During 2018, MZBG produced 8,874.1 tons of waste, up by 5.8% with respect to the 8,385.8 tons recorded in 2017. [GRI 306-2] The percentage of non-hazardous waste for the period under consideration accounts for almost the entire total of waste produced (99.9%).

Total waste produced, in tons

Hazardous waste	2016	2017	2018
- of which sent for re-use	2.60	0	0
- of which sent for incineration	0.83	0.91	1.42
- of which sent for recycling	6.46	8	2.30
- of which sent for composting	0.01	0.01	0
- of which held in storage	2.44	3.54	5.57
- of which sent for landfill	-	0.30	0.17
Total hazardous waste	12.34	12.74	9.46
Non-hazardous waste	2016	2017	2018
- of which sent for re-use	383.8	155.0	479.8
- of which sent for recovery (including energy recovery)	639.0	617.7	349.7
- of which sent for incineration	2,578.5	2,361	2,705.6
- of which sent for recycling	1,849.2	2,074.3	1,991.9
- of which sent for composting	2,781.9	2,529.4	2,568.2
- of which held in storage	200.0	263.0	255.2
- of which sent for landfill	294.9	332.4	414.6
- other types of disposal	6.4	41.3	99.9
Total non-hazardous waste	8,733.7	8,373	8,864.7
Total waste (hazardous and non-hazardous)	8,746.1	8,385.8	8,874.1

Packaging and sustainable innovation

The packaging materials used – whether for pods, capsules or traditional coffee packs – play a key role in preserving the fragrance

of the product and keeping its quality unchanged. Hence, initiatives aimed at reducing packaging are very important to companies and are assessed very carefully.

With the purpose of reducing the quantities of materials consumed, as well as their costs, and therefore the quantities to be disposed of after the use of the product, **Massimo Zanetti Beverage Iberia** has launched an initiative to cut the amount of aluminium used to produce its single serve capsules. The outcome of this initiative has resulted in savings of 3.9 tons per year, which means a percentage reduction of the material used for this type of product equal to almost 40%. The company is also planning to develop a new type of capsule that will allow an additional 35% reduction in the amount of aluminium used.

The **Boncafé Group** recently started a project to reduce the thickness of the packaging material used. In 2018 it launched on the market coffee packs that use 120 micron aluminium foil (with a 16% percentage reduction from the 140 micron foil used before), able to preserve the aroma and the taste of its product. Confirming its commitment to the optimisation of packaging materials, **Boncafé** was among the first parties to sign the **Singapore Packaging Agreement**, an initiative launched in 2007 and supported by the Government and by more than 220 companies and NGOs, to reduce packaging waste, which today represents more than one third of domestic waste.



With the objective of reducing the environmental impact of their packaging materials, some companies of the Group have also launched **capsules that can be composted or recycled**. For example, **Segafredo Zanetti France** has launched 100% biodegradable capsules that can be composted, which were named in January 2019 product of the year on the French market.



In Finland, **Meira** took part in training events and seminars on the development and sale of innovative packaging materials and has become a member of **Packaging Valley**, a network of companies, research institutes and NGOs created to promote the development of alternative packaging materials. As part of this initiative, Meira is today testing the use of sugarcane-based bioplastics.

The commitments and the partnerships described above have resulted in a generalised decrease in the quantities of packaging materials used, in particular paper and tinplate.

In 2018, Massimo Zanetti Beverage Group utilised approximately 19,209 tons of material for the packing of products, down by 4.3% compared to the previous year. Overall in 2018, the consumption of packaging material originating from renewable resources⁶ – namely paper and cardboard – accounted for 31.5% of total consumption. [GRI 301-1]



CAFÉ
SAN MARCO

Vous en avez assez de consommer des capsules qui impactent notre environnement ? Vous avez le sentiment de polluer, chaque jour, un peu plus la planète ? Aujourd'hui, votre consommation peut avoir un impact positif. C'est pour cela que San Marco a inventé

la 1ère capsule de café
COMPOSTABLE,
BIODÉGRADABLE

éco conçue, sans aluminium, sans emballage individuel tout en conservant tous les arômes de votre café, et compatible avec votre machine Nespresso®**.

PER AMORE DEL CAFFÈ.*
*Par amour du café



⁶ Renewable material is intended as material deriving from abundant resources that are quickly replenished by ecological cycles or agricultural processes, so that the services

provided by these and other related resources are not under threat and remain available for future generations.

KEEP YOUR CUP!

In order to address the issue of increasing consumption of single-use cups and glasses in the UK, Brodies has introduced its own KeepCups, which consumers may buy together with their drink and reuse at Segafredo stores.



Packaging material, broken down by type, in tons

Material	2017	2018
Paper	1,319	1,153
Cardboard and corrugated cardboard	4,975.4	4,898.5
Plastic	3,272.2	3,218.8
Glass	669.0	672.7
Aluminium	153.7	150.8
Tinplate	7,684.3	7,086.5
Bonded materials (plastic and aluminium)	125.3	132.4
Wood (including pallets)	379.5	414.6
Flexible film (plastic)	872.0	774.4
Jute	148.0	140
Reels	69.8	136.5
Steel	0.3	2
Other materials (mostly plastic)	398	429
Total material	20,065.9	19,209.3

4. Quality for customers and consumers

4.1 Challenges and the responses of MZBG

REFERENCE CONTEXT

Quality is an issue that, for companies in the food sector, represents the “licence to operate”. It is a dynamic concept in constant evolution that covers diverse issues, such as food safety, product traceability and the communication with customers.

On these areas, there are increasing pressures both from consumers and customers, who expect increasingly high-quality standards, also from a regulatory point of view. An example is given by the recent *Food Safety Modernization Act*, issued by the US Food and Drugs Administration, which requires all US companies operating in the coffee sector to monitor their suppliers, so as to be fully informed of the origin of their products and be able to ensure full traceability along their supply chain.

Traceability is becoming increasingly important also to consumers, in particular to that millennial generation that is having a profound impact on market trends, and that makes increasing demands in terms of sustainability.

Approach to quality management

MZBG believes in the need to offer customers and consumers a product of absolute and guaranteed quality, in all the markets where it operates. The Group believes in comprehensive quality management, in terms not only of product but also of process: the customer perspective must be integrated in every business activity,

adopting an approach based on constant improvement and constant co-operation with suppliers, which is key to guarantee the observance of regulatory standards and self-regulations.

As also indicated by the Code of Ethics, the mission of MZBG is in fact to **meet market requirements with products and services of the highest quality and according to the ethical values of integrity, honesty, transparency and fair competition**, pledging to operate in full compliance with national and international laws and regulations.

To put this commitment into practice, given the heterogeneity of the markets in which the companies of the Group operate, specific quality and safety policies are implemented at the local level, through ad hoc procedures that are part, especially in the larger companies, of structured and certified management systems.

In this context, the quality management activities of Massimo Zanetti Beverage Group evolve along two lines: **protecting the quality and safety of the product** and **listening and communicating with customers and consumers**.

At the central level, the Group guarantees that all companies operate in compliance with locally applicable regulations in terms of quality and safety and – wherever possible – with the more advanced guidelines and standards on the market. Specific offices within the Group's individual companies are responsible for ensuring the quality and safety of products, as well as the efficient management of the relations with customers and consumers in every stage of the production cycle.

Innovation is also an integral part of the quality management process of the Group: every year, Group companies launch new products to meet the requirements and the tastes of even the most demanding consumers, according to the different characteristics of the local markets.

PRODUCT INNOVATION: SOME EXAMPLES FROM GROUP COMPANIES

Meira has launched a **new sustainable high-quality blend under the brand name Kultra Katrina**, from central America, Brazil and East Africa. The green coffee used is fully certified UTZ or Rain Forest Alliance in order to meet the increasing demand for sustainable products on the Finnish market.



In November 2018, **Kauai** obtained the important **Non-GMO** certification for one of its coffee - **Red Typica** - sold under the brand name Kauai. The coffee produced at the Hawaii farm has never undergone genetic modification. It is an important goal, which is in line with the sustainability and environmental protection strategy that has always characterised the brand. Non-GMO Project is a non-profit organisation created to protect and guarantee food supplies that have not been genetically modified. The Non-GMO certification allows suppliers, brands and retailers to show they are committed to provide consumers with a transparent choice on the market. For more information, visit the page www.nongmoproject.org



Massimo Zanetti Beverage USA signed a partnership with Heartland Food Products Group, thanks to which it has launched **Java House Authentic Cold Brew**. Through a double-use liquid pod, this innovative product allows the consumer to choose between cold brew coffee served hot or cold.



Leva Class® V6 is the new professional coffee machine of La San Marco. It is a one-of-a-kind machine, which offers a new coffee-drinking experience: through a top-quality design, an exclusive LEVA CLASS® (Controlled Lever Anti-Shock System) patent and PID system for electronic control and adjustment of the boiler water temperature, energy consumption is significantly reduced.



PRODUCT INNOVATION AT SEGAFREDO ZANETTI POLAND

The quality division of **Segafredo Zanetti Poland**, the Polish subsidiary, has recently started to actively cooperate with its counterparts in the Massimo Zanetti Beverage Group, in particular those in Italy and France.

The objective of this cooperation is to provide continuous and effective training to its "cup tasting" team, which is in charge of developing new products in line with market requirements.

In 2018, the company also opened a training centre in Warsaw for its barmen and a permanent showroom with the products and the machines sold under the Segafredo Zanetti brand name.

4.2 Initiatives, commitments and figures of the Group

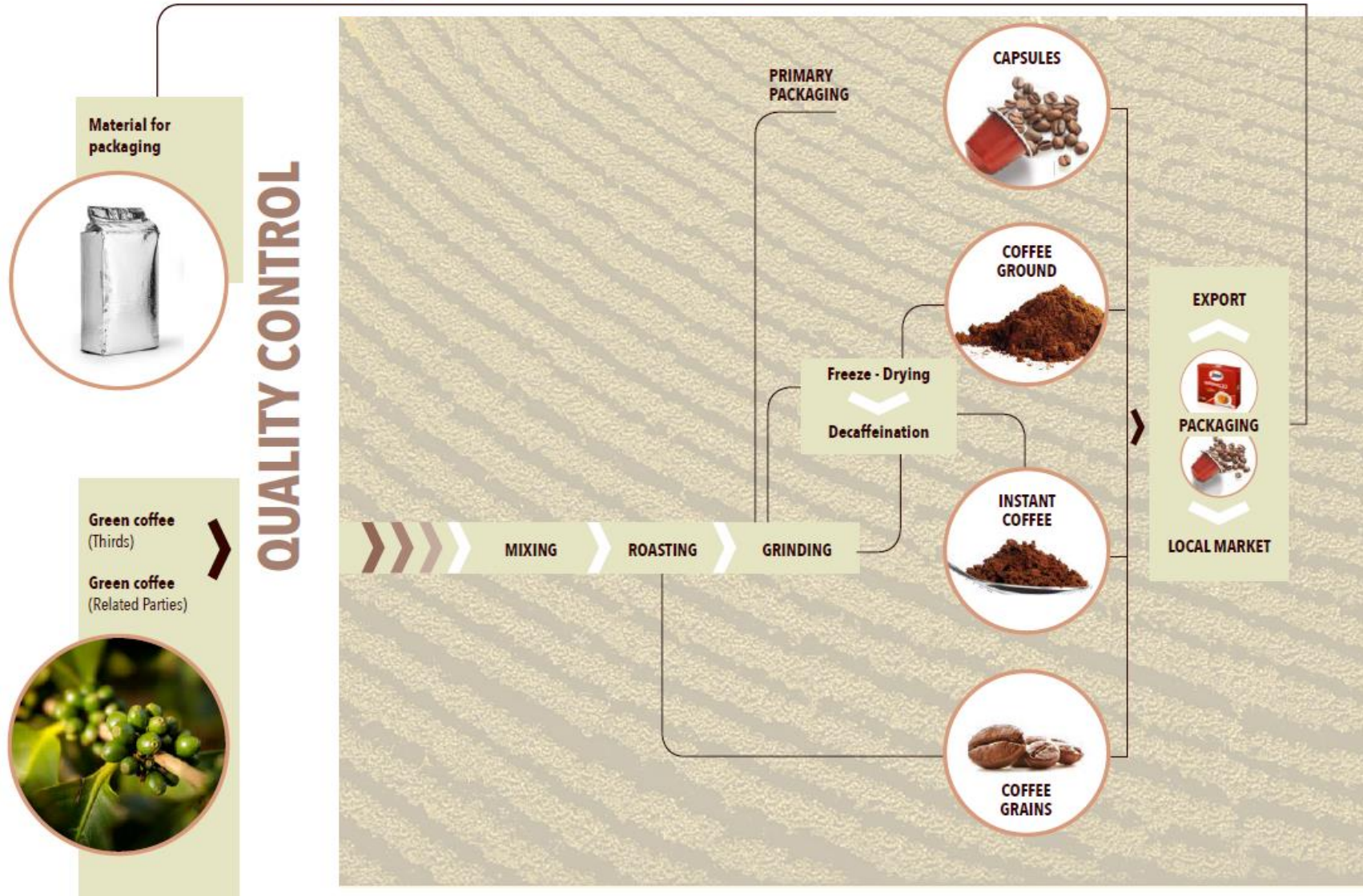
Product quality and safety

Food safety and quality is monitored along the entire production process: from the arrival of the green coffee at the plants to the sale of the finished product.

After the first documentary analysis for the acceptance of the raw material received at the plants, a laboratory analysis is carried out to identify any micro-toxin. During coffee roasting, a sample is taken for an organoleptic and physical test through roasting, to assess, among other things, the colour of the roasted coffee and the moisture level. The latter parameters are monitored throughout the grinding stage. During the packaging, lastly, the compliance of the packaging in terms of weight and labelling is verified and sampling controls are carried out on product batches.



PROCUREMENT › PRODUCTION › DISTRIBUTION



In this context, five among the six largest production companies – **Segafredo Zanetti France**, **Segafredo Zanetti Italia**, **Meira**, **Massimo Zanetti Beverage Iberia** and **Boncafé International** - have adopted a quality management system certified to ISO 9001:2015 standard, which stipulates the definition of responsibilities and controls aimed at ensuring the achievement of key objectives and supporting product quality and customer service,⁷ by optimising internal processes.

Massimo Zanetti Beverage USA, the largest company of the Group in terms of production volumes, does not have a management system certified to ISO standards. Product quality and safety have, however, been given a pivotal role in the production process, as testified by its quality manual, which is constantly updated and improved. In 2018, the company started a project to standardise internal practices. A new “**Quality Assurance**” function has been created, to supervise and optimise all corporate processes that have an impact on product and process quality and to standardise them through a single Quality Programme applied to all production sites.

The assessment and monitoring of suppliers is another key area of the quality management process. In addition to its commercial and technical aspects, the supply procedure of **Massimo Zanetti Beverage USA** stipulates full compliance with the parameters established by all health regulations and those at government level and by the Global Food Safety Initiative, which brings together key players in the food industry for the continuous improvement of food safety management systems. The company asks that its suppliers compile a detailed check list with more than 100 questions on traceability and safety, for example, on compliance with the HACCP standard, methods used to check for parasites and allergens and

application of Good Manufacturing Practices in relation to quality standards.



Segafredo Zanetti France has issued a procedure for the approval of new suppliers of packaging material: a self-assessment questionnaire must be returned, followed by onsite inspections, to verify compliance with high quality standards, especially if the supplier is not certified to ISO 9001.

Similarly, **Segafredo Zanetti Italia** has issued procedures for the selection of its suppliers and the assessment of their performance. The first selection is carried out using criteria such as the value offered by the supplier and its compliance with the highest standards of food safety and product quality. The Italian subsidiary also carries out regular assessments of the performance of those suppliers with which it has an ongoing relationship. At this stage, several parameters are

⁷ Segafredo Zanetti France, Massimo Zanetti Beverage USA., Meira, Segafredo Zanetti, Boncafé International and Massimo Zanetti Beverage Iberia.

assessed, such as long-term reliability, ability to meet deliveries on time and any non-compliance observed. The traceability of the products supplied is also assessed.

The **Boncafè Group** asks its suppliers to complete a self-assessment questionnaire that includes the main sales KPIs, such as the quality of the products supplied or the ability to meet requests. With regard to suppliers of raw materials, the Asian Group also carries out tests on product quality, to verify compliance with the high-quality standards expected within the Massimo Zanetti Beverage Group.

QUALITY CONTROL AT BONCAFÈ THAILAND

Boncafè Thailand, a company of the **Boncafè Group**, which produces and exports gourmet coffee all around the world, carried out in 2018 a study to verify the preservation over time of the quality and safety of the raw material and the strength of the packaging used, to guarantee full compliance with laws and regulations in the reference markets.

The different companies of the Group have adopted specific procedures and certifications, according to legal obligations and market demands, in particular with regard to food safety and the private label segment. The following table provides a list of the main voluntary certifications adopted within the different companies on these issues.

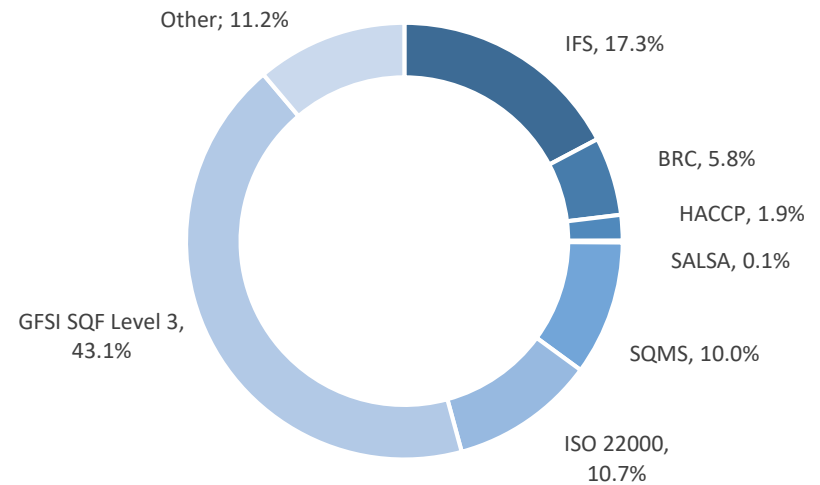
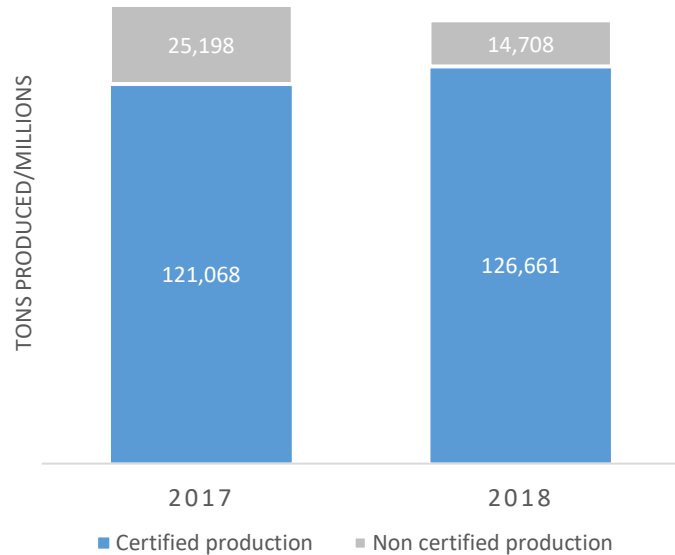


Certification standards and certified companies		
IFS Food Certificate	Combined quality assurance standard valid for all foodstuffs	<ul style="list-style-type: none"> - Segafredo Zanetti (Brazil) Com. distr. de Cafè S.A. - Segafredo Zanetti Austria GmbH - Segafredo Zanetti France S.A.S. - Segafredo Zanetti S.p.A. - Massimo Zanetti Beverage Iberia S.A.
British Retail Consortium	Global food safety standard	<ul style="list-style-type: none"> - Segafredo Zanetti (Brazil) Com. distr. de Cafè S.A. - Segafredo Zanetti S.p.A. - Massimo Zanetti Beverage Iberia S.A.
Food Safety System Certification 22000	Food safety standard for production processes across the supply chain	<ul style="list-style-type: none"> - Distribuidora Café Montaña S.A. - Tiktak/Segafredo Zanetti Nederland BV - Massimo Zanetti Beverage Vietnam Company Ltd
Safe Quality Food	Food sector safety standard across the supply chain	<ul style="list-style-type: none"> - Massimo Zanetti Beverage USA Inc.
Supplier Quality Management System	Quality management system for suppliers of food products	<ul style="list-style-type: none"> - Segafredo Zanetti S.p.A. - Segafredo Zanetti France S.A.S.
Hazard Analysis and Critical Control Points	European food hygiene certification	<ul style="list-style-type: none"> - Tiktak/Segafredo Zanetti Nederland BV - Massimo Zanetti Beverage Vietnam Company Ltd - Boncafé International Pte Ltd - Massimo Zanetti Beverage Iberia S.A. - Kauai Coffee Companies LLC
Good manufacturing practices	Certification that guarantees the integrity of the food production process and compliance with food safety regulations	<ul style="list-style-type: none"> - Boncafé (Thailand) Ltd
Safe and Local Supplier Approval	Widespread certification in the United Kingdom certifying products' regulatory compliance with food safety requirements	<ul style="list-style-type: none"> - Brodie Melrose Drysdale & CO Ltd.

MZBG food safety certifications

In 2018, 89.9% of the coffee of the Massimo Zanetti Beverage Group was produced at sites certified according to one of the food safety standards listed above, recording an increase of 6.8% on 2017 (82.8%). Certified production⁸ is subdivided between the different standards shown in the chart below. [GRI FP5]

Certified production, in respect of the total and by standard in t



Listening and communicating with customers and consumers

The operating companies listen to the requirements of customers and consumers, communicate with these and provide customer support services. Through their internal procedures and management systems, they also monitor customer satisfaction and the resolution of any request or complaint.

To ensure responsible and transparent communication to its stakeholders, MZBG uses a number of dedicated channels that provide comprehensive and clear information. Production companies are especially attentive to the information provided on

⁸ The graph does take into account the Kosher and HALAL certification standards of a religious nature, which cover 54.4% and 0.1% of the total certified production respectively.

packaging and to complying with EU regulations on labelling. Specifically, details are provided on the producer, distributor and the storage methods; with the introduction of EU Regulation no. 1169/2011, the presence of possible allergens is included, with the nutritional information and preparation methods for the product.

Supported by their quality management systems and policies, the six largest companies of the Group have adopted a structured approach to customer care and customer satisfaction, which include the presence of dedicated communication channels, the monitoring of special KPIs to measure customer complaint trends and improvement initiatives defined within targeted annual plans.

With regard to the monitoring of customer and consumer satisfaction after the sale, the companies operate on different fronts, adopting different approaches according to the market served. **Segafredo Zanetti France** and **Boncafé International**, in line with ISO 9001 requirements, carry out monthly customer satisfaction surveys, using questionnaires: the results are later processed to identify problem areas and improve processes. In Finland, **Meira** has widened the number of communication channels, recording consumer feedback through phone interviews, emails, corporate website and also through its official profiles on the social networks.

During the year, **Segafredo Zanetti Italia** launched a listening initiative directed at customers of cafés, aimed at measuring their satisfaction with the main blends. In a blind test involving 360 interviews in Milan, Bologna, Rome and Bari, the Segafredo products served at cafés were compared with the products of the main competitor: the results of this initiative will provide the starting point for the constant improvement of the blends analysed.

CUSTOMER SATISFACTION AT DISTRIBUIDORA CAFÉ MONTAÑA

Distribuidora Café Montaña, based in Costa Rica, has implemented a quality management system certified to ISO 9001 standard and carries out regular assessments of customer satisfaction, using multiple parameters, such as product availability, aroma and complaints received. The most recent results show values above the minimum accepted level of a 90% satisfaction rate.



With regard to sales communications, in 2018, there were no reports of non-compliance within the Group. [GRI 417-2] [GRI 417-3]

5. Procurement practices

5.1 Challenges and the responses of MZBG

THE CONTEXT

The management of the sustainability along the supply chain is a key issue for the companies of the coffee sector.

The complexity of the supply chain, characterised by numerous levels of trade negotiations between agricultural producers and distributors of the finished product, is connected, for example, to the issue of social and working conditions in the coffee farms. The companies of the sector are increasingly called to give a contribution on these issues, also due to the volatility of green coffee prices. In recent years, this factor has in fact become critical for the local communities, with impacts on living conditions in the producing countries and on the quality and quantity of raw materials, affected by the failure to invest in new sustainable farming techniques⁹.

In this context, there are more and more initiatives by the supply chain and the individual companies to support the local communities. An example of this is the **Sustainable Coffee Challenge**, an initiative involving all companies of the coffee industry, from producers to retailers, aimed at improving the living and working conditions of the farmers through practical, formal commitments.

The control of the origin of the raw material and its traceability is also increasingly important to consumers and in front of the public opinion: especially in some markets, there is increasing interest in monitoring

the path of the products from the farm onwards and the business activities, in particular the aspects of worker protection and compliance with environmental standards.

Environmental issues are in fact the object of increasing interest, in particular the issues such as deforestation, water consumption and climate change.

Deforestation, for example, is among the main effects of coffee cultivation. Coffee farms in fact need large spaces to grow and the increasing global demand for coffee, together with ongoing climate change, has been pushing them to remote regions, by transforming the pre-existing habitat, mostly forests.



⁹ *Is the Coffee industry guilty of exploitation?*, Fairtrade Foundation, 13 September 2018

Approach to procurement management






Responsible procurement is today managed by the Group on the basis of the commitment to promoting the principles of legality, responsibility and ethics in relations with suppliers and business partners both nationally and internationally expressed by the Code of Ethics, which is binding for all MZBG companies.

Within this framework, according to the different local conditions and market requirements, the individual operating companies manage directly the relations with their suppliers, in regard to the purchase of both green coffee and other goods and services.

Over the years, internal procedures and supplier performance management and assessment systems have been developed: in general terms, these are based on the economic conditions offered, the quality of the purchased goods, and the punctuality of the service provided. According to the characteristics of the individual markets, suppliers may be assessed and/or subject to restrictions also under the aspects of respect for the environment, product traceability and human rights protection, even if is only with the Group Procurement Policy that MZBG will acquire a common framework on these issues.

The different operating companies adopt differentiated approaches also with regard to the purchases of green coffee certified under the different sustainability standards recognised at the international level.



Standard		Certified company
Organic  	<p>Certification standard for agricultural raw materials, which guarantees that they originate from supply chains where the principles of organic farming have been implemented. For companies operating in Europe, the rules formalising the characteristics of organic farming are defined by European Community legislation, whereas in the USA, the National Organic Programme (NOP) is applicable.</p>	<ul style="list-style-type: none"> - Massimo Zanetti Beverage USA - Meira - Tiktak/Segafredo Zanetti Nederland - Segafredo Zanetti Poland - Distribuidora Café Montaña - Segafredo Zanetti SpA - Brulerie des Cafés Corsica
Fairtrade 	<p>The certification guarantees that products bearing the Fairtrade certification mark have been created whilst respecting workers' rights in Asia, Africa, Latin America and have been purchased in terms of fair trade criteria.</p>	<ul style="list-style-type: none"> - Distribuidora Café Montaña - Massimo Zanetti Beverage USA - Brodie Melrose Drysdale - Meira - Tiktak/ Segafredo Zanetti Nederland - Kauai Coffee Company
UTZ 	<p>The standard is based on principles such as transparency of business practices, traceability of raw materials and compliance with the conventions of the International Labour Organization (ILO).</p>	<ul style="list-style-type: none"> - Distribuidora Café Montaña, Massimo Zanetti Beverage USA - Segafredo Zanetti Brazil - Boncafé Group - Meira.
Rainforest Alliance 	<p>The standard is based on 9 principles: the protection of local flora and fauna, the protection of ecosystems, soil protection, protection of water resources, the fair treatment of workers and good working conditions, good relations within the community, integrated management of waste and pesticides, monitoring and pacification.</p>	<ul style="list-style-type: none"> - Distribuidora Café Montaña - Massimo Zanetti Beverage USA - Segafredo Zanetti Brazil, - Brodie Melrose Drysdale - Tiktak / Segafredo Zanetti Nederland - Segafredo Zanetti France - Segafredo Zanetti SpA - Boncafé Group

Coffee sustainability certifications

5.2 Initiatives, commitments and figures of the Group

Assessment and control of suppliers

Some of the largest companies of the Group have adopted over the years special procedures to assess and control their suppliers regarding the afore-mentioned environmental and social issues.

Human rights fall within the scope of the performance evaluation conducted on suppliers by **Massimo Zanetti Beverage USA**. Specifically, green coffee suppliers in developing countries are required to submit their "**Child Labor Certification**," which proves compliance with the applicable national and international standards on working practices and conditions. The company also asks its suppliers to acquire numbering systems to identify products so as to facilitate traceability, where necessary. Lastly, the US company encourages its suppliers to become members of the **Green Coffee Association of New York**, an association dedicated to promoting the coffee business, based on rules agreed on among all market players.

Segafredo Zanetti Italia, in its contractual negotiations with suppliers, adds a clause which asks the counterparty to accept the values and the principles of the Code of Ethics. **Segafredo Zanetti France** has set up an identification and traceability procedure for the product across the supply chain that logs data using specific software "**Coffee Trace**". The company invites its suppliers to act correctly and with impartiality by subscribing to the "**Charte des Achats Responsables entre Segafredo Zanetti et ses fournisseurs**". The Charter specifies that suppliers act against all forms of corruption and respect the principles of the United Nations Global Compact (UNGC), the 8 fundamental Conventions of the International Labour Organisation (ILO) and pertinent social and environmental legislation. Suppliers are further required to draft an annual report on the progress made, undergo

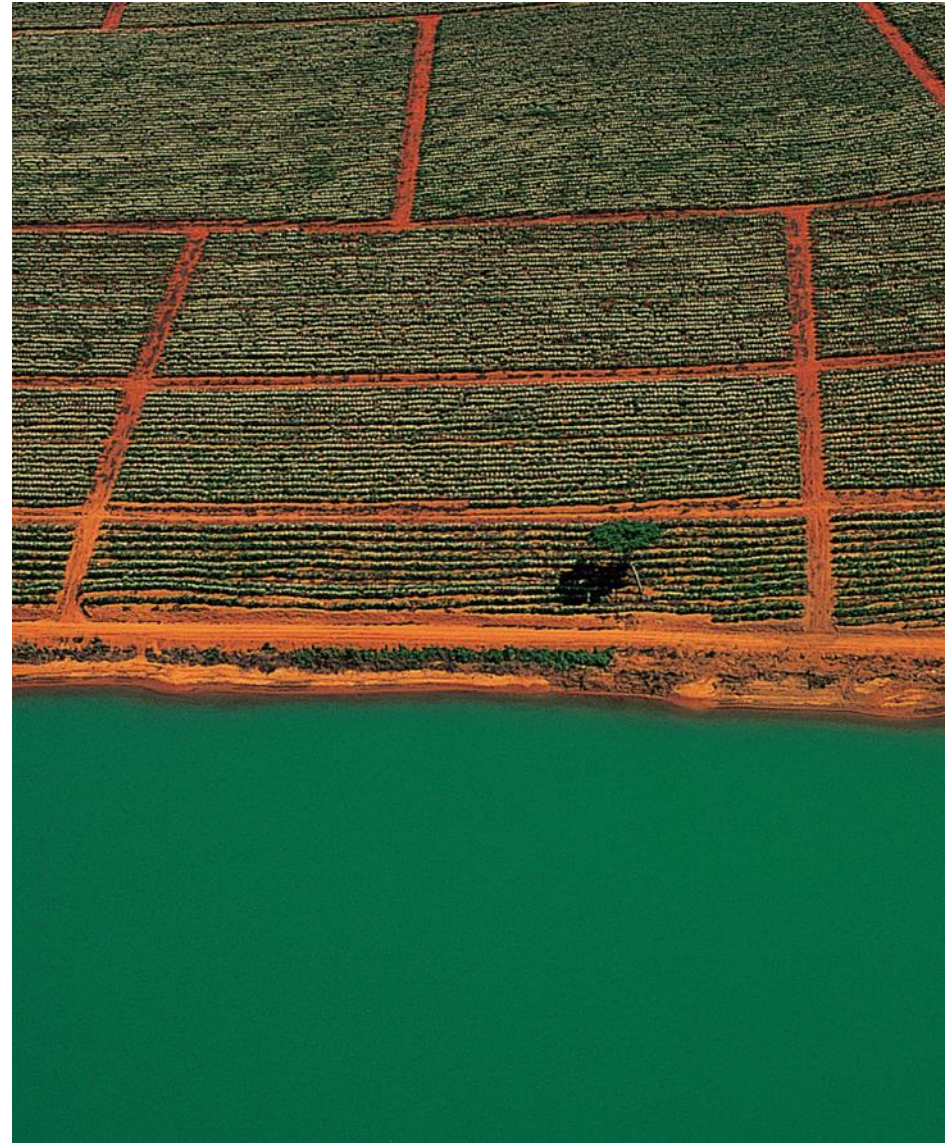
possible checking to verify their compliance with the principles subscribed to and, if necessary, put in place appropriate corrective measures.



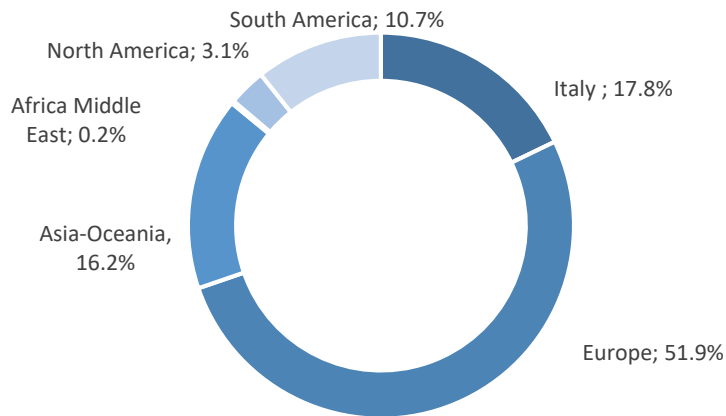
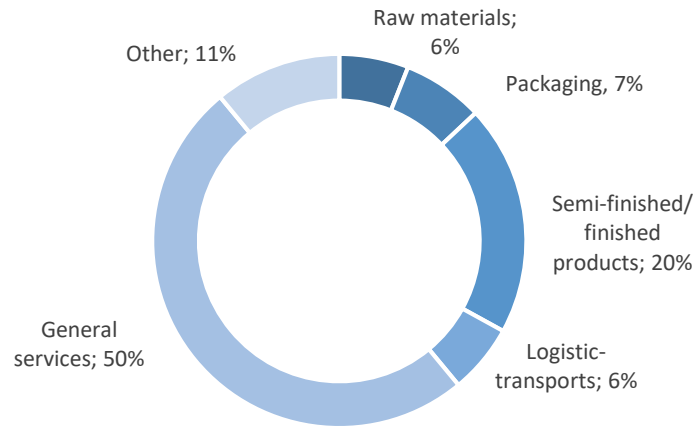
To ensure sustainability along its supply chain, **Meira** has updated its supplier assessment and monitoring systems to take into account some social issues concerning labour practices, human rights and social impact. In particular, the company has integrated the BSCI principles (Business Social Compliance Initiative), one of the most important supply chain management systems that support companies in the process of assessing the social compliance of their supply chains. The assessment for coffee suppliers is standardised on the basis of the certification criteria of the European Coffee Federation global platform. With a view to constant improvement, Meira has also acquired a computerised system for assessing suppliers using specific indicators and developed its own **sourcing policy**, which articulates the commitments of the company to pursue ethical principles along its entire supply chain and to guarantee respect for the environment by adopting sustainable business solutions, also in co-operation with its business partners.

Meira is also among the first companies of the Group with regard to the purchases of certified coffee. The company has in fact formally adopted a plan for the purchase of certified green coffee, setting specific growth targets for the next few years: by 2022, 100% of the green coffee purchases will be covered by this type of raw material.

In 2018, the companies in the Group completed purchases from more than 4,000 suppliers, about 600 more (+17%) than in 2017. General services account for more than half of total suppliers (50%), followed by suppliers of finished products and semi-finished products (20%), packaging (7%) and coffee and food raw materials (6%). Most suppliers are European (70%). [\[GRI 102-9\]](#)



Suppliers, according to product type and origin, 2018



With specific reference to the supply of green coffee, between 2017 and 2018 its level of purchases remained constant, from 148,236 to 147,408 tons.

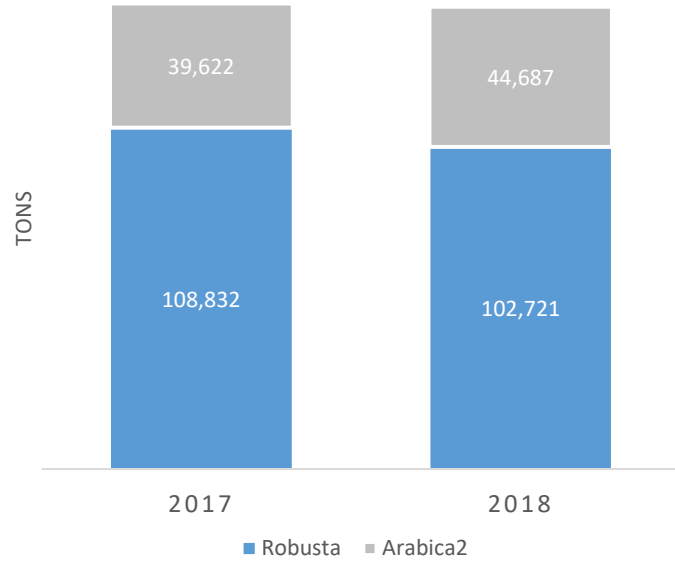
An increase in the proportion of Arabica coffee was seen in 2018, rising from 26.7% in 2017 to 30.3% in 2018, and originating from Central and South America, in particular Brazil, Colombia and Honduras. 73.4% of Robusta quality coffee is purchased from Asian countries, particularly from Indonesia and Vietnam. The category "Others" includes the countries where the Group receives supplies of around two thousand tons¹⁰.



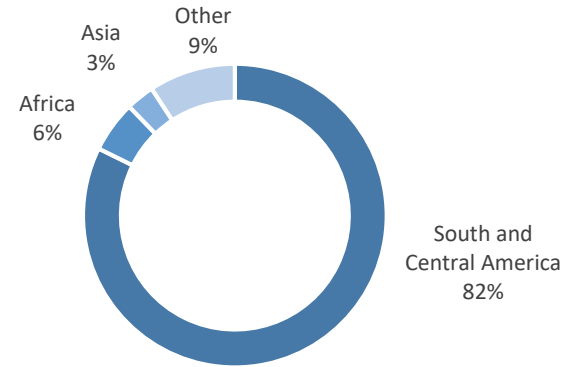
¹⁰ Specifically, supply quotas below one thousand, include for the Arabica El Salvador in Central America, Laos, Papua New Guinea and Thailand in South-East Asia and the Congo, Malawi, Rwanda, Tanzania, Uganda and Zambia in Africa; whereas the Robusta quota

includes India, Laos and Thailand in South-East Asia, Ivory Coast, Madagascar, Tanzania and Togo in Africa and other countries in Central and South America that are currently not traceable.

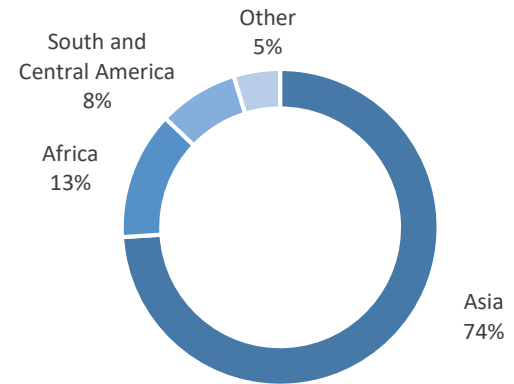
Coffee supplied, according to quality and origin, in tons



Arabica coffee



Robusta coffee

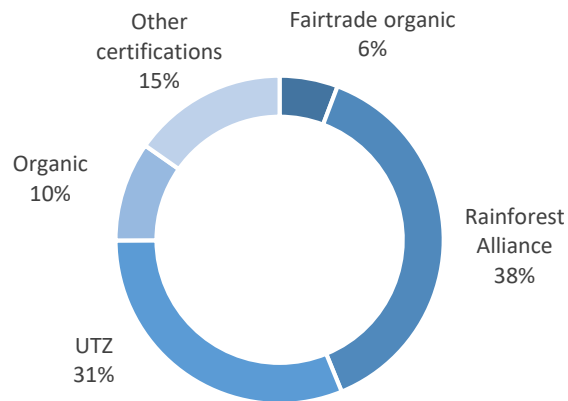


Two assessments on human rights were conducted among companies in the Group during 2018.

Specifically, Meira carried out its assessment in the first half of 2018 and follow-up activities are currently ongoing, which include the definition of specific sustainability targets based on the outcome of the assessment. [GRI 412-1]

In 2018, the purchases of coffee certified according to the above-mentioned international sustainability standards were 9.6% of the total, up with respect to the 2017 figure. [GRI FP2]

Share of the different certifications in respect of the total for coffee certified according to sustainability standards



Support to local communities in farming countries

As already stressed in the previous sections, the support to local communities in the coffee-growing countries is a key issue for all companies of the sector. Within the Massimo Zanetti Beverage Group, **Boncafé International** and **Massimo Zanetti Beverage USA** have been active on this issue. Both companies have in fact subscribed to the Sustainable Coffee Challenge, an initiative that aims at promoting sustainability along the supply chain, focusing on the well-being of local populations. Massimo Zanetti Beverage USA, in particular, is planning to launch a project to educate the local population in one of its main supply countries. The Boncafé Group, partner of the initiative since 2017, has instead already formalised its commitment to ensure the long-term well-being of the farming communities, by promoting training initiatives addressed to the internal and external stakeholders on the importance of traceability and sustainability in coffee farming practices.



SUSTAINABLE COFFEE CHALLENGE

Born from the idea that the coffee consumed every day in the world depends, first of all, on the well-being of more than 25 million of farmers and 10 million of hectares of soil used for the cultivation of the raw material, the Sustainable Coffee Challenge is an international initiative of co-operation between different operators aimed at increased sustainability along the coffee value chain.

Conceived by **Conservation International** and launched in 2015 in co-operation with 18 partners, today the initiative has been signed by more than 100 partners from 34 countries, representing the entire coffee value chain, as well as by multi-stakeholder associations, government agencies and NGOs. It integrates the Sustainable Development Goals in its framework. Any type of company or organisation operating in the sector may join the partnership, which requires the definition – immediate or not – of specific commitments and objectives for a set of predefined issues.

The Sustainable Coffee Challenge provides direction for the partners' efforts according to four compass points, fundamental to increase sustainability in the coffee sector:

- **Sustain Supply:** Implementation of sustainable farming practices to meet the increasing demand for coffee in socially responsible way, without endangering natural resources;
- **Improve Livelihoods:** Ensure to the more than 25 million farmers and to their families a greater share of the profits deriving from the sale of the product, in this way promoting an improvement in living conditions;
- **Conserve Nature:** Conserve forests, the areas with a high biodiversity value and other natural resources;
- **Strengthening Market Demand:** Promoting, supporting and investing in special initiatives that provide the incentives

needed to encourage the creation of shared value in the coffee value chain.

Each compass point underpins multiple areas of action, each of which refers to potential actions that may be taken to contribute to the achievement of the outputs and outcomes specified for the area of action. For example, for the *Climate Change*, area of action within the compass point *Conserve Nature*, Conservation International has specified some actions that may be developed to contribute to reduce greenhouse gas emissions or to encourage soil conservation. The potential actions suggested include the adoption of restoration plans, training on farming techniques with a low environmental impact or the use of energy from renewable sources.





SUPPORT TO LOCAL COMMUNITIES: THE EXAMPLE OF BRODIES

The Scottish company of the Group, Brodies, has launched many initiatives with social aspects and is partner of some national and international associations that support local communities.

In particular, in 2018 the Scotland Street Coffee Volume 2 initiative was launched, with which a portion of the proceeds from the sale of coffee sacks is donated to the Mamie Martin Fund, which supports girl education in Malawi. In 2018, Brodies also donated its products to local non-profit associations, such as Alzheimer Scotland, Headway – the brain injury association, Scottish Death Trust, Scottish Ambulance Service, McMillan Coffee Morning and Culloden Academy Young Enterprise – Mental Health Awareness Program.

6. Personal development

6.1 Challenges and the responses of MZBG

THE CONTEXT

A motivated and skilled workforce is one of the key factors of the long-term competitiveness of a company. An attractive work environment, which promotes diversity and is able to retain the talents, has become increasingly important, especially in a context of unprecedented technology innovation.

It is, however, an increasingly challenging objective as competition for the most skilled workers increases: the generation of the so-called millennials, now entering the labour market, makes increasing demands in regard to the ability of their jobs to meet their individual professional and personal expectations.

These trends can also be observed in the coffee sector, even if less visible than in other sectors. To these new issues, the traditional issues of human resource management in manufacturing companies must be added, first of all health and safety on the workplace.

Approach to human resource management

Managing people in the Massimo Zanetti Beverage Group is directed at protecting diversity and equal opportunities and at health and safety in the workplace, as well as training and professional development. The objective is to create a positive work environment, characterised by transparency and openness to dialogue.

The companies of the Group have adopted policies and implemented initiatives to ensure the constant professional

development of their employees and to create a stimulating workplace, able to attract and retain motivated and skilled workers.

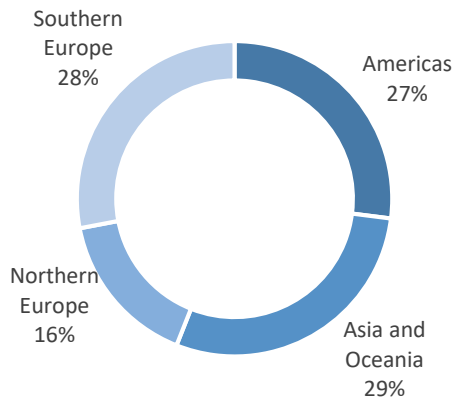
Massimo Zanetti Beverage Group ensures compliance with national and international labour and occupational health and safety legislation in the management of its employees in all countries where it operates. Its Code of Ethics states the commitment to the protection and personal development of the workforce.

All issues related to human resources management and the promotion of health and safety in the workplace are overseen by the individual companies of the Group, which are committed to respect the values expressed in the Code of Ethics. The companies are also engaged in preventing and monitoring the risks on the workplace and must take specific measures to reduce them.

To monitor employee satisfaction and promote in-house expertise, some of the largest companies have developed over time their own systems to monitor the work environment and to assess and manage the employees' skills and training.

6.2 Workforce characteristics and diversity management

At the end of 2018, the employees of Group companies falling within the scope of this Non-Financial Statement totalled 3,092. The geographic distribution of the workforce in percentage terms is shown in the chart below. The main distribution in geographic terms is in Europe (44%), followed by Asia and the Americas. [GRI 102-8]. Most employees had a permanent contract (89.1%) and, among these, the vast majority was working full-time (96.8%). In 2018 men employee accounted for 63.3% of the workforce, basically unchanged with respect to 2017 (when the percentage was 63.6%). [GRI 405-1]



Employees, according to type of contract and gender, number

Permanent contract		Gender	2016	2017	2018
Permanent contract employees	Men		1,480	1,711	1,770
	Women		1,055	943	985
Full-time	Men		1,394	1,689	1,749
	Women		975	886	921
Part-time	Men		19	22	21
	Women		51	57	64
Total permanent contract employees			2,535	2,654	2,755
Temporary contract		Gender	2016	2017	2018
Total temporary contract employees	Men		150	212	184
	Women		139	156	153
Full-time	Men		91	130	112
	Women		39	32	43
Part-time	Men		59	63	55
	Women		100	111	93
Total temporary contract employees			289	368	337
Total employees (permanent and temporary)			2,824	3,022	3,092

The multinational context in which the Group operates, and the strong diversity of its employees have led the companies of the Group to launch targeted initiatives.

Massimo Zanetti Beverage USA, for example, has detailed its commitment to diversity, transparency and the effective operation of its organisation in a series of policies on equal opportunities, selection practices, and the recruitment and promotion of talent. In addition, the US company has defined three key action guidelines for managing people: health and safety, community support and the creation of a pervasive corporate culture. With its **Equal Opportunities Plan**, instead, **Meira** aims to encourage and improve gender equality in order to avoid any type of discrimination through high-level objectives and guidelines. Lastly, as testimony to their commitment to protect and promote diversity and recognise the personal qualities of individuals, **Segafredo Zanetti France** signed more than ten years ago the **Charte de la Diversité** (<http://www.charte-diversite.com>), a voluntary initiative by some French companies to promote all forms of diversity.



6.3 Initiatives, commitments and figures of the Group

Training and development

The focus of the Massimo Zanetti Beverage Group on training requirements, talent development and professional development is reflected in the many training programmes and multidisciplinary courses made available every year by individual companies to employees of all levels.

In the six largest companies of the Group, annual training plans are prepared based on a skill mapping process, aimed at identifying the area where more training is required and acting accordingly. HR departments prepare specific training plans, assigning courses according to the employee category or the tasks carried out. In many cases, the companies offer “open” training plans: in addition to the mandatory training courses, individual employees may decide, sometimes with the agreement of their managers, which courses to attend.

At **Massimo Zanetti Beverage Iberia**, for example, employees who want to know more about specific issues can choose among many different courses besides the standard training courses, such as language classes or classes in programming, marketing, etc. The company supports professional skills development through a structured performance evaluation system, conducted on a quarterly basis, focusing on diversified parameters, such as leadership, diligence, flexibility, availability, collaboration, organisation, ethics, productivity, quality and technical aptitude.

At **MZB USA**, the training and professional development of employees is supported with the **MZB Way To Learn** programme. The company publishes an annual list of training courses that employees may ask to attend, possibly on the basis of the indications received during

performance assessment from their managers, to remedy deficiencies or strengthen specific areas.



EMPLOYEE PERFORMANCE ASSESSMENT: A KEY INSTRUMENT AT MASSIMO ZANETTI BEVERAGE GROUP

Many Group companies, both at production and trading level, have adopted structured performance assessment systems for their employees.

In 2016, **Segafredo Zanetti Poland** developed the Individual Objectives System to evaluate the performance of certain key figures.

In South America, **Distribuidora Café Montaña** uses an employee performance assessment system that, every 6 months, assesses key skills such as quality of work, ability to meet deadlines, creativity and initiative and achievement of pre-set targets. At the Brazilian subsidiary too, **Segafredo Zanetti Brazil**, a regular performance assessment is carried out according to objective criteria.

Similar systems have been adopted in Asia. **Massimo Zanetti Beverage Vietnam** has developed special KPIs for the different corporate areas, while **Boncafé Malaysia** has implemented an annual performance assessment system based on the KRA (Key Results Area).

Training, broken down by gender and job classification, in hours

Training by category	2016	2017	2018
Training provided to Managers and Executives	1,417	3,264	4,831
Training provided to white collar staff	7,849	9,047	10,047
Training provided to blue collar workers	19,470	16,991	18,108
Training by gender	2016	2017	2018
Training provided to women	5,513	10,403	11,369
Training provided to men	23,172	18,901	21,612
Average training per employee	12.6	9.7	11
Average training – women	6.2	9.5	10
Average training – men	16.8	9.8	11.1

Average training hours were calculated based on total employees at 31/12 of the reference year; this therefore creates a distortion in the categories' averages, and for this reason, the totals were not added up.

With reference to GRI indicator 404-1, it should be noted that data for Malaysia, Thailand and Boncafé International Pte Ltd is not included for 2016, as it was not possible to distinguish training provided by job category and gender, and in respect of Kauai Coffee Company LLC for 2016 and 2017, as data on staff was not reported.

Professional well-being and retention

The Massimo Zanetti Beverage Group is committed to provide a positive work environment to its employees, developing the individual resources. The monitoring of employee satisfaction and the welfare policies, as well as the projects aimed at promoting employee well-being, pertain to the individual companies.

At **Meira**, for example, an annual survey is carried out to measure the level of satisfaction among employees, identify any area that needs improving and get feedback on potential initiatives. The employee

The 2016-2020 sustainability plan of **Segafredo Zanetti France** also provides for a series of actions and objectives aimed at fostering talent and developing skills through training, promoting a culture of health and safety with actions and prevention campaigns, and finally developing dialogue with employees.

The initiatives adopted by the individual companies in 2018 have resulted in an average number of hours of training per employee equal to 10.7 hours per person up 10% with respect to 2017. [GRI 404-1]

survey carried out by Meira in 2018, in which almost 80% of the workforce has taken part, has shown an average level of satisfaction equal to 3.49 out of 5. Among the strengths of the company, employees identified the teamwork and the dialogue with management, always constructive and stimulating; as areas for improvement, the need for greater co-operation between the different corporate functions, which are, so far, perceived as separate entities.

In 2018, **Segafredo Zanetti Italia** launched an initiative aimed at the new employees hired during the year named **Induction Day**. According to the job classification and role, the new resources have the opportunity to take part in activities with supervisors and internal functions: they are introduced to the new work environment, through presentations on the Group history, production processes, products sold, corporate procedures and production plants.

Massimo Zanetti Beverage USA has developed its own programme - **MZB Way To Wellness** – for the promotion of its employees' health. The initiative, started a few years ago and constantly updated, was integrated in 2018 with a programme focused on nutrition issues. A nutritionist was hired at the Suffolk plant, to improve the menu of the company canteen, eliminating dishes with a low nutritional value and adding fresh food with a low fat content. Besides the overhaul of the menu, a free nutritional advice was offered to the employees, to actively support and encourage them to adopt a healthy lifestyle and take care of their health. Among the other benefits offered by the programme, employees have access to a clinic set up at the company, where medical personnel are always available.

The company also carries out an assessment every year on the satisfaction of its people. The results are then shared with the Senior

Management Team and with individual working groups and serve to develop specific action plans, where necessary.



TURNOVER AND WELFARE AT BONCAFÈ THAILAND

Since 2018, the Asian subsidiary **Boncafè Thailand** has carried out exit interviews with employees who leave the company. The interviews aim at producing a mapping of the major sources of discontent among employees, to mitigate the risk of losing key resources and expertise.

In 2018, among the other corporate welfare measures, free health insurance was also made available to all employees.

These initiatives have had a positive effect with regard to the staff turnover at the Group level. In 2018, there was a 15% increase in the number of new hires at the Group level. As for employees leaving, in 2018 the turnover rate remained unchanged for women, increasing slightly for men.

	2017	2018
Group turnover rate	19.4	21.4
Group hiring rate	21.2	24.5

<i>Employees leaving, by region</i>	2017		2018	
	Men	Women	Men	Women
Americas	147	52	148	61
Asia and Oceania	95	144	136	147
Northern Europe	39	24	1	26
Southern Europe	60	24	2	25
Group turnover rate	11.2	8.1	12.9	8.4

<i>Number of new employee hires by region</i>	2017		2018	
	Men	Women	Men	Women
Americas	119	26	181	100
Asia and Oceania	127	161	142	156
Northern Europe	38	36	60	27
Southern Europe	111	23	59	33
Group hiring rate	13.1	8.1	14.6	10.5



Health and safety in the workplace

The Massimo Zanetti Beverage Group is subject to regulatory pressures on the issues of health and safety in the workplace: the issue is managed at the local level through specific policies and procedures, in particular by production companies.

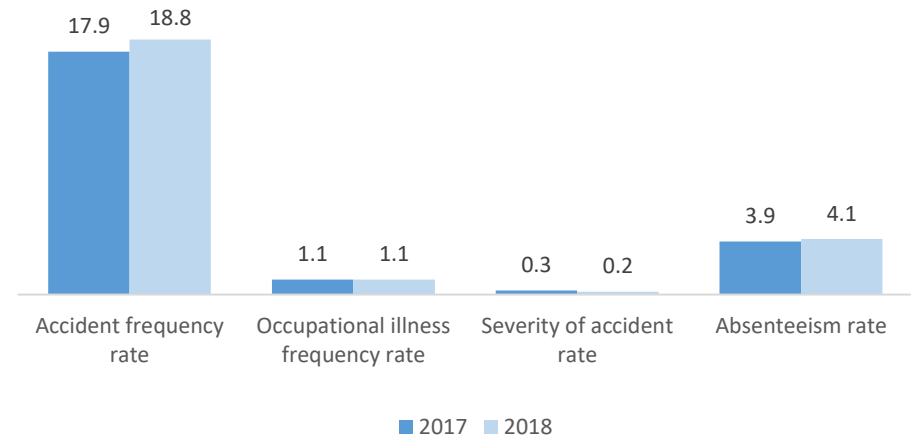
Among the most virtuous examples in the Group, **Segafredo Zanetti Italia** has adopted a Health and Safety management system, supported by regular risk assessments and suitable corporate procedures. Every six months, the company also undergoes audits by customers on health and safety issues, and internal audits by the Supervisory Board of the Group. On the basis of these audits, a report is drafted, from which a plan of improvements in the Health & Safety area is developed.

To monitor health and safety issues, **Meira** has created a Health and Safety Committee, chaired by an external Safety Manager, who coordinates the activities and processes of the company from a health and safety point of view and prepares a risk assessment report.

Lastly, **Massimo Zanetti Beverage USA** has developed a formal internal programme for health and safety in the workplace, implementing specific policies and setting up monthly mandatory training sessions, attended by all employees.

With regard to the occupational health and safety of workers, in 2018, there was an increase in the rate of workplace accidents, while the lost day rate decreased. The analysis of these data shows that, with regard to the internal production of the Group, there were only minor accidents that only in a few cases resulted in lengthy absences from work. The indexes for occupational diseases and absenteeism were basically unchanged with respect to 2017. [\[GRI 403-2\]](#)

Workplace accident indices, by year





FONDAZIONE ZANETTI
ONLUS

FONDAZIONE ZANETTI ONLUS: PROJECTS SUPPORTED IN 2018 AROUND THE WORLD...

The Fondazione Zanetti is a non-profit organisation set up in 2007 thanks to Massimo Zanetti and his children Laura and Matteo. It helps children in difficult circumstances by supporting and promoting projects aimed at providing nutritional and health services, accommodation, education and psychological support, in Italy and abroad. A focus on children and their rights and on solidarity in general is the common denominator of the activities of the Foundation. It also organises fund-raising events and promotes initiatives to raise awareness of a common culture: always on the children's side.

Burkina Faso – Expansion of Humanitarian High School

The Foundation contributed to the expansion of the Humanitarian High School in Garango: a new classroom was built with its help, which will allow a higher number of young people to attend.

Congo Brazzaville – Group home in Pointe Noire

With the help of the Foundation, health services and adequate nutrition was provided to the orphans living in a group home in Pointe Noire, a facility built in 2015 to provide accommodation to 29 children between 1 and 18 years of age.

Eritrea - Food safety

Together with the nuns of Istituto delle Figlie di Sant'Anna, the Gruppo Aleimar Onlus, a non-profit organisation, runs a program in some Eritrean villages to help children with serious nutritional deficiencies to get adequate nutrition. With the support of the Foundation, the non-profit organisation was able to purchase around 600 sheep helping many children and their families.

Honduras - Jaime Martínez Guzmán School

Additional support was provided to the Jaime Martínez Guzmán School of Marcala, La Paz, Honduras. The Foundation had already supported the local community to build the school, which, since 2014, offers classes in a welcoming and safe environment. Now, after the opening of a kitchen and a dining hall, the school can provide nutrient meals to the children.

Niger - Against malnutrition

The Foundation supported the program run by Coopi to reduce food insecurity and fight child malnutrition in the rural communities of Dogonkiri and Soucoucutane, Niger, by providing seeds and tool for the cultivation of okra and moringa.

Pakistan – Ghost schools

The Foundation supported the Italian Friends of The Citizens Foundation, created to fight discrimination in education and promote the right of girls to receive good school education, by setting up, renovating and managing seven ghost elementary schools in Punjab.

Papua New Guinea - Feeding Program

In a violent social context, with a high rate of child mortality due to malnutrition, the non-profit organisation Fraternità Cavanis Gesù Buon Pastore takes care of the education of children and teens. The Foundation provided support guaranteeing that a meal a day is served to many children attending the school in Bereina.

Paraguay - Centro de Salud Sagrada Famiglia Encarnación

The Centro de Salud Sagrada Famiglia in Encarnación provides health services to the population of the Barrio Pacu Cua, focusing on children, pregnant women and mothers. With the support of the Foundation, together with the Fondazione Canossiana, the centre can now provide medical/nutritional service also to children with psychological and physical disabilities.

Peru - Nutrición integral

Nutrición integral is the project launched by non-profit organisation Pro.sa to provide nutritional support to children and young people with AIDS or HIV-positive, who live at the Hogar San Camilo in Lima, Peru. With the support of the Foundation, the nutritional needs of the project beneficiaries are met through a balanced nutrition.

Democratic Republic of the Congo – Nutrition centre

Istituto Suore di Santa Dorotea di Cemmo has created a small nutrition centre in Kavumu, Democratic Republic of the Congo, which provides accommodation and meals to malnourished orphans in the region. The Foundation supports this programme to improve the nutrition of these disadvantaged children.

Romania - Una mamma anche per me (A mother for me too)

The pilot centre Andreea Damato in Singureni, managed by the non-profit organisation Bambini in Emergenza, provides accommodation and care to abandoned HIV-positive children. The project “Una mamma anche per me”, supported by the Foundation, aims at finding foster families willing to take care of the children living at the centre.

Rwanda - Wihogora! La casa del sorriso

The association Missionarie Rogazioniste runs Wihogora! La casa del sorriso, a programme aimed at defending the rights of teenage mothers in Nyanza, Rwanda. With the help of the Foundation, the children of teenage mothers receive medical services and adequate nutrition, essential to prevent endemic diseases and avoid malnutrition.

Tanzania - Initiative against malnutrition in the Dodoma region

The creation of a Malnutrition Unit at the Dodoma Regional Hospital is at the centre of the programme promoted by Medici con l'Africa CUAMM against acute malnutrition in children aged between 0 to 5 years. The Foundation is one of the supporters of this initiative that helps hospitalized children by keeping them apart from the adults and preventing them from contracting other diseases.

Ukraine - Physical rehabilitation for children with cancer

Foundation Zaporuka, active in Ukraine since 2008, helps children with cancer and their families, by guaranteeing the right to health and medical care. The Fondazione Zanetti Onlus helps this foundation to provide physical rehabilitation to the children hospitalized in the Paediatric Unit of the Cancer institute of Kiev.



... AND IN ITALY

Bimbi in ANT

The Fondazione Ant Italia Onlus was created to allow young cancer patients to receive specialist medical and nursing services, free of charge, at home. With the support of the Foundation, assistance by specialist doctors has been made available 24/7, so that the periods spent by the children in hospital can be kept to a minimum.

Nuovi orizzonti (New horizons)

As part of the humanitarian programme of the Emilia Romagna Region, the Cosmohelp Onlus helps non-Italian children with serious diseases, who cannot be treated in their countries of origin (Balkans, Africa, Eastern Europe), to receive care at health facilities in Bologna. The Foundation pays for the travel of the children and their parents, their accommodation and some medications.

Welcome and Social Services Centre

The Bimbo tu Onlus is renovating a building in San Lazzaro di Savena (Bologna), which will become a welcome and social services centre for the families of sick children hospitalised at the Bellaria Hospital in Bologna. The Foundation is among those providing support to the renovation.

EVENTS

The Foundation works with non-profit organisations and individuals that share its mission, to create an annual programme of informational and awareness-raising initiatives, events and meetings devoted to children. A series of talks, "Passi verso l'Altrove", was held between January and December in schools, involving 2,500 students of local high schools. With the contribution of experts and artists, the programme has addressed a series of issues currently in the news, such as cyberbullism, fight against drugs, immigration, international cooperation, forgotten wars, disability and violence against women. In March, a large audience of parents and teachers met Alberto Pellai, a psychotherapist, to discuss the issue of the emotional education of children.

"Oggi conversiamo di..." is a cycle of public meetings that look at childhood from different points of view: an opportunity to know about the Montessori method, to acknowledge the skills and needs of children from zero to three years of age, to reflect upon perinatal mortality and to discuss the joy and pain of having siblings.

At the end of November, a fund-raising event was held for the children of the young mothers living at the Casa del Sorriso in Nyanza, Rwanda: the Teatro Civile show Die Mauer – Il Muro, with Marco Cortesi and Mara Moschini, was sold out.

Methodology note

This document represents the second edition of MZBG non-financial statement. The information and data refer to 2018 and the performance trends to the three-year period 2016 – 2018, where available. The scope of reporting for all non-financial information includes 24 of the 54 companies controlled by the Group in Italy and abroad, of which 17 are production and 7 commercial companies (see Appendix – List of MZBG companies included in the scope of the NFS), established on the basis of a criterion of dimensional relevance in financial and personnel terms. The exceptions to this scope are specifically listed in the document.

The reporting standards adopted by MZGB to prepare the NFS are the GRI Sustainability Reporting Standards, published in 2016 by the GRI-Global Reporting Initiative. Furthermore, to report on certain relevant issues, some specific standards in the Sector Supplement "Food Processing" of the GRI-G4 guidelines were used. In particular, in accordance with GRI standard 101: Foundation, paragraph 3, reference is made to the following Reporting Standards in this document.

The data related to indirect energy consumption and the CO₂ emissions due to the use of methane were restated with respect to the 2017 Group NFS, since data more up-to-date and representative of the operations of the Group have been gathered. Moreover, all data concerning employee personal information, training provided, and accident data were restated as a result of the total coverage of the reporting scope.

GRI aspect	GRI standard	
GRI 205 Anti-Corruption	GRI 205-3	Total number of corruption incidents
GRI 206 Anti-competitive behaviour	GRI 206-1	Legal action related to anti-competitive behaviour, anti-trust and monopoly practices
GRI 301 Materials	GRI 301-1	Materials used by weight or volume
GRI 302 Energy	GRI 302-1	Energy consumption within the organisation
GRI 305 Emissions	GRI 305-1	Direct emissions of greenhouse gases
	GRI 305-2	Indirect emissions of greenhouse gases
GRI 306 Effluents and waste	GRI 306-2	Waste by type and disposal method
GRI 401 Employment	GRI 401-1	New employee hires and turnover rate
GRI 403 Health and Safety in the workplace	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities
GRI 404 Training and education	GRI 404-1	Average hours of training per year per employee
GRI 405 Diversity and equal opportunities	GRI 405-1	Composition of corporate governance bodies and breakdown of employees according to gender, age, minority group, and other diversity indicators
GRI 412 Human rights assessment	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments
GRI 417 Marketing and labelling	GRI 417-2	Incidents of non-compliance concerning product and service information and labelling
	GRI 417-3	Incidents of non-compliance concerning marketing communications
GRI 419 Socio-economic compliance	GRI 419-1	Non-compliance with law and regulations in the socio-economic area

GRI aspect		GRI standard
Procurement practices	GRI FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard
	GRI FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards
Non-GRI indicators		
Volume of coffee purchased	Volume of purchases by coffee quality and origin	

Calculation methods

With reference to the data contained in this document, it should be noted that estimates were not used, instead the best data available at the time was used to prepare this document. The table below shows the methodology guidelines used for certain indicators.

Workplace accident indices

The methods used for calculating workplace accident indices are detailed below. The severity index was calculated as the ratio between the total number of working days lost and total number of workable hours* 1,000. It should be noted that working days lost are the calendar days lost due to the work accident as from the day after the accident. The frequency index, on the other hand, corresponds to the ratio between the total number of workplace accidents with an absence exceeding one day and the total number of hours worked* 1,000,000. The absenteeism rate refers to the days of

absence during the reporting period over the total number of working days in the same period. Whereas the rate of occupational disease corresponds to the ratio between the total number of occupational diseases and the total number of hours worked* 1,000,000.

Greenhouse gas emissions

The calculation for greenhouse gas emissions was done using the principles outlined in the GHG Protocol Corporate Accounting and Reporting Standard. Emissions factors used to calculate CO₂ emissions are shown in the tables below. For indirect emissions, CO₂ was the only greenhouse gas considered. For direct emissions from diesel, petrol and LPG, CH₄ and N₂O were also considered, applying the Global Warming Potential (GWP) over 100 years reported in the IPCC Fourth Assessment Report.

Source / Fuel	Source of emission factor
Diesel Petrol LPG Natural gas	DEFRA (Department of Environment, Food & Rural Affairs), 2016 - 2018 conversion factors
Electricity	Terna, international comparisons, 2015 In particular, the emission factors specific to the country, where these were available in the Terna Report. Alternatively, the emission factor for the continent was utilised. With reference to MZB Iberia, which includes Portugal and Spain, the more conservative emission factor relating to Portugal was used.

Conversion factors

The conversion of energy consumption into GJ has been made using the conversion factors of MATTM (Ministry of the Environment and Protection of Land and Sea), provided in the standard national parameters table for 2016, 2017 and 2018.

http://www.minambiente.it/sites/default/files/archivio/allegati/emissioni_trading/tabella_coefficienti_standard_nazionali_11022019.pdf.

Scope of impact

GRI aspect	Internal scope	External scope
GRI 205 – Anti-Corruption	X	Customers, Suppliers
GRI 206 – Anti-competitive behaviour	X	-
GRI 301 – Materials	X	Suppliers
GRI 302 – Energy	X	-
GRI 305 – Emissions	X	-
GRI 306 – Effluents and waste	X	-
GRI 401 - Employment	X	-
GRI 403 - Health and Safety in the workplace	X	Suppliers
GRI 404 – Training and education	X	-
GRI 405 – Diversity and equal opportunities	X	Suppliers
GRI 412 – Human rights assessment	X	Suppliers
GRI 417 – Marketing and labelling	X	-
GRI 419 – Socio-economic compliance	X	-
GRI Food Processing Sector Supplement		Suppliers

List of MZBG companies included in the scope of the Sustainability Report

Company	Country	Type
Massimo Zanetti Beverage USA Inc.	USA	Production
Boncafé (Thailand) Ltd	Thailand	Production
Segafredo Zanetti France S.A.S.	France	Production
Massimo Zanetti Beverage Iberia S.A.	Portugal/Spain	Production
Segafredo Zanetti Espresso Worldwide Japan Inc.	Japan	Commercial
Segafredo Zanetti S.p.A.	Italy	Production
Kauai Coffee Company LLC	Hawaii	Production
Meira Oy Ltd.	Finland	Production
Segafredo Zanetti Poland Sp. z.o.o.	Poland	Production
Segafredo Zanetti (Brazil) Com. distr. De Café S.A.	Brazil	Production
La San Marco S.p.A.	Italy	Production
Distribuidora Café Montaña	Costa Rica	Production
Boncafé International Pte Ltd.	Singapore	Production
Segafredo Zanetti Austria GmbH	Austria	Production
Segafredo Zanetti Australia Pty Ltd.	Australia	Commercial
Boncafé Middle East Co LLC	United Arab Emirates	Commercial
Segafredo Zanetti Deutschland GmbH	Germany	Commercial
Boncafé Malaysia	Malaysia	Commercial
Tiktak/Segafredo Zanetti Nederland BV	The Netherlands	Production
Brodie Melrose Drysdale & CO Ltd.	Scotland	Production
Brulerie des Cafés Corsica SAS	France	Production
Segafredo Zanetti Coffee System S.p.A.	Italy	Commercial
Massimo Zanetti Beverage Vietnam Company Ltd	Vietnam	Production
Massimo Zanetti Beverage Group S.p.A.	Italy	Commercial

GRI Content Index

[GRI 102-55]

GRI 102: GENERAL DISCLOSURES 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
102-8	Information on employees and other workers	56	
102-9	Supply chain	38; 47-48	
102-15	Key impacts, risks and opportunities	12-15	
102-46	Defining Report content and topic Boundaries	18-21	
102-47	List of material topics	21	
102-55	GRI Content Index	70	
102-56	External assurance	78-81	

MATERIAL TOPICS

ECONOMIC PERFORMANCE

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	3-5	
103-2	Information on the management approach and its components	3-5	
103-3	Evaluation of the management approach	3-5	

GRI 201: ECONOMIC PERFORMANCE 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
201-1	Direct economic value generated and distributed	5	

ANTI-CORRUPTION

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	22-23	
103-2	Information on the management approach and its components	12-13; 22-23	
103-3	Evaluation of the management approach	22-23	

GRI 205: ANTI-CORRUPTION 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
205-3	Incidents of corruption and actions taken	23	

ANTI-COMPETITIVE BEHAVIOUR

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	22-23	
103-2	Information on the management approach and its components	12-13; 22-23	
103-3	Evaluation of the management approach	22-23	

GRI 206: ANTI-COMPETITIVE BEHAVIOUR

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
206-1	Legal action related to anti-competitive behaviour, anti-trust and monopoly practices	23	

RAW MATERIALS

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	31-32	
103-2	Information on the management approach and its components	12-13; 31-32	
103-3	Evaluation of the management approach	31-32	

GRI 301: RAW MATERIALS 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
301-1	Materials used by weight or volume	32-33	

ENERGY

GRI 103: MANAGEMENT APPROACH 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	27-29	
103-2	Information on the management approach and its components	12-13; 27-29	
103-3	Evaluation of the management approach	27-29	

GRI 302: ENERGY 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
302-1	Energy consumption within the organisation	28	

EMISSIONS

GRI 103: MANAGEMENT APPROACH 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	27-29	
103-2	Information on the management approach and its components	12-13; 27-29	
103-3	Evaluation of the management approach	27-29	

GRI 305: EMISSIONS 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
305-1	Direct (Scope 1) GHG emissions	29	
305-2	Indirect (Scope 2) GHG emissions	29	

WASTE AND EFFLUENTS

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	29-30	
103-2	Information on the management approach and its components	12-13; 29-30	
103-3	Evaluation of the management approach	29-30	

GRI 306: EFFLUENTS AND WASTE 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
306-2	Waste by type and disposal method	30	

PROFESSIONAL WELL-BEING AND RETENTION

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	55; 59-60	
103-2	Information on the management approach and its components	12-13; 55; 59-60	
103-3	Evaluation of the management approach	55; 59-60	

GRI 401: EMPLOYMENT 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
401-1	Total number of new employee hires; hiring and turnover rate by age group, gender and region	61	

HEALTH AND SAFETY IN THE WORKPLACE

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	62	
103-2	Information on the management approach and its components	12-13; 62	
103-3	Evaluation of the management approach	62	

GRI 403: HEALTH AND SAFETY IN THE WORKPLACE 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities	62	

TRAINING AND EDUCATION

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	58-59	
103-2	Information on the management approach and its components	12-13; 58-59	
103-3	Evaluation of the management approach	58-59	

GRI 404: TRAINING AND EDUCATION 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
404-1	Average hours of training per year per employee	59	

DIVERSITY AND EQUAL OPPORTUNITIES

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	56-57	
103-2	Information on the management approach and its components	12-13; 56-57	
103-3	Evaluation of the management approach	56-57	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
405-1	Composition of corporate governance bodies and breakdown of employees according to gender, age, minority group, and other diversity indicators	10; 56	

HUMAN RIGHTS ASSESSMENT

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	45-47	
103-2	Information on the management approach and its components	12-13; 45-47	
103-3	Evaluation of the management approach	45-47	

GRI 412: HUMAN RIGHTS ASSESSMENT 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
412-1	Operations that have been subject to human rights reviews or impact assessments	51	

MARKETING AND LABELLING OF PRODUCTS

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	42-43	
103-2	Information on the management approach and its components	12-13; 42-43	
103-3	Evaluation of the management approach	42-43	

GRI 417: MARKETING AND LABELLING OF PRODUCTS 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
417-2	Incidents of non-compliance concerning product and service information and labelling	43	
417-3	Incidents of non-compliance concerning marketing communications	43	

SOCIO-ECONOMIC COMPLIANCE

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	22-23	
103-2	Information on the management approach and its components	12-13; 22-23	
103-3	Evaluation of the management approach	22-23	

GRI 419: SOCIO-ECONOMIC COMPLIANCE 2018

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
419-1	Non-compliance with law and regulations in the socio-economic area	23	

GRI G4 SECTOR DISCLOSURE FOOD PROCESSING

PROCUREMENT PRACTICES

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	44-46	
103-2	Information on the management approach and its components	12-13; 44-46	
103-3	Evaluation of the management approach	44-46	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	51	

PRODUCT RESPONSIBILITY – CONSUMER HEALTH AND SAFETY

GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	35-41	
103-2	Information on the management approach and its components	12-13; 35-41	
103-3	Evaluation of the management approach	35-41	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	42	

GRI G4 SECTOR DISCLOSURE FOOD PROCESSING

-	DISCLOSURE	PAGE No.	NOTE/ OMISSION
	Volume of coffee purchased, by type and origin	50	



MASSIMO ZANETTI BEVERAGE GROUP SPA

INDEPENDENT AUDITORS' REPORT ON THE NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE 254/2016 AND TO ARTICLE 5 OF CONSOB REGULATION 20267

FOR THE YEAR ENDED ON 31 DECEMBER 2018



Independent auditors' report on the consolidated non financial statement

pursuant to article 3, paragraph 10 of Legislative Decree 254/2016 and to article 5 of Consob regulation 20267 of January 18, 2018

To the Board of Directors of Massimo Zanetti Beverage Group SpA

Pursuant to article 3, paragraph 10 of the Legislative Decree 254 of 30 December 2016 (the "Decree") and article 5 of Consob Regulation 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Massimo Zanetti Beverage Group SpA and its subsidiaries (hereafter the "Group") for the year ended on 31 December 2018, in accordance with article 4 of the Decree, and approved by the Board of Directors on 28 February 2019 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Sustainability Reporting Standards", defined in 2016 by the GRI-Global Reporting Initiative (hereafter "GRI Standards"), identified by them as the reporting standard.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors. The Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1 of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure the understanding of the Group activities, its trends, its results and related impacts. The Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing compliance with the Decree in accordance with the law.

Auditors' independence and quality control

We are independent in accordance with the principles of ethics and independence disclosed in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board of Accountants, which are based on the fundamental principles of integrity, objectivity, competence and

PricewaterhouseCoopers SpA

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professional diligence, privacy and professional behaviour. Our audit firm adopts the International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for the compliance with ethical and professional principles and with applicable laws and regulations.

Auditors' responsibility

We are responsible for expressing, on the basis of the work performed, a conclusion regarding the compliance of the NFS with the Decree and with the GRI Standards.

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” (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements.

The standard requires that we plan and apply procedures in order to obtain a limited assurance, that the NFS does not contain material misstatements. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance to become aware of all significant facts and significant circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS are based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, in the analysis of documents, recalculations and other procedures aimed at obtaining evidence as appropriate.

In particular, we have performed the following procedures:

- 1 analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
- 2 analysis and assessment of the criteria used to identify the consolidation area, in order to assess its compliance with the Decree;
- 3 comparing the financial information reported in the NFS with the information reported in the Group consolidated financial statements;
- 4 understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;



- policies adopted by the Group with reference to the matters specified by article 3 of the Decree, actual results and related key performance indicators;
- main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to such matters, we have carried out some validation procedures on the information presented in the NFS and some controls as described under point 5 below;

- 5 understanding of the processes underlying the preparation, collection and management of the qualitative and quantitative material information included in the NFS. In particular, we have held meetings and interviews with the management of Massimo Zanetti Beverage Group SpA and with the personnel of Segafredo Zanetti Italia SpA, Meira Oy and Massimo Zanetti Beverage Iberia SA, and we have performed limited analysis and validation procedures, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a Group level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the consolidation of the information
- for the following companies, Segafredo Zanetti Italia SpA (head office and manufacturing site of Bologna), Meira Oy (head office and manufacturing site of Helsinki, Finland), Massimo Zanetti Beverage Iberia SA (head office and manufacturing site of Lisbon, Portugal), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct compliance with procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that caused us to believe that the NFS of Massimo Zanetti Beverage Group SpA as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.



Treviso, 14 March 2019

PricewaterhouseCoopers SpA

Filippo Zagagnin
(Auditor)

Paolo Bersani
(Proxy Holder)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of Massimo Zanetti Beverage Group SpA as of 31 December 2018.