



SUSTAINABILITY REPORT 2019

Consolidated non financial statement
pursuant to Italian Legislative Decree
n. 254/2016

Massimo Zanetti

MASSIMO ZANETTI
BEVERAGE GROUP

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Message to stakeholders

2019 was another year of encouraging results and future-oriented projects for the Massimo Zanetti Beverage Group. Our turnover increased by 2.6%, showing a trend of progressive improvement over the course of the last few months, across all main markets. Within this context, we're particularly pleased with the performance of our sustainable products, i.e. those certified according to sustainability standards, which account for nearly 40% of new products launched in 2019.

It was also a year in which our products won plenty of awards and recognition. The San Marco biodegradable capsules were - in the particularly developed and competitive French market - chosen as the 2019 Product of the Year, while the new Segafredo Premium D'Arôme Organic blend has been named as one of France's Products of the Year for 2020. In Australia, our Bean Ground and Drunk coffee - the first certified organic coffee in the country - won the prestigious Certified Organic Non-Alcoholic Beverage of the Year 2019 award, while our plantation in Kauai, having obtained the important Non-GMO Project verification, won plaudits on account of its sustainable agricultural practices, which benefit not just the environment but also the local economy and community.

We pour passion, commitment and professionalism into every cup in order to guarantee our customers a unique experience and high-quality coffee produced in a manner that preserves the dignity of people, communities and local areas. We continue to cherish the relationships that we have with consumers across the world. These relationships have been founded on trust as a result of the unwavering quality of our products, and we are dedicated to continuing to develop these relationships further. Thanks to the implementation of systems which monitor our products throughout every stage of the value chain, we assure quality, consistency and transparency.

Our open dialogue and constant engagement with consumers enable us to gauge consumer needs, take advantage of exciting market opportunities and provide innovative solutions which help to reduce the impact of our products and activities on the environment and on society overall.

We've set ourselves some challenging objectives for the years to come. Some of these will affect our day-to-day choices, while others will require our commitment and dedication over a longer time period. We've embarked upon a positive journey designed to increase our control over the supply chain and to support our contributions to the development of increasingly sustainable products. For instance, we're working tirelessly to get to a point where 100% of our product packaging is fully recyclable. Throughout the Group, we're also promoting the adoption of circular economy models, such as those recently developed by our Finnish company, Meira, which uses biogas - a form of energy produced from by-products of coffee production - in its production cycle, thus reducing carbon dioxide emissions. Given our international presence, we're aware of the positive influence that we can exude in terms of promoting a culture of sustainability; therefore, we intend to do our very best to reduce our environmental impact and encourage sustainable development throughout the value chain.

Massimo Zanetti - President and CEO

THE MISSION

**“To make consumers
all over the world love
quality coffee, ensuring
full compliance with
the values of
sustainability”**

“Once more, I will try to make people love coffee,
which is my life and the life of many people.

It’s a tradition in many cultures.

It’s the way we say good morning every day.

It is, quite simply, something so very familiar - like a
family member who you love and who you couldn’t

do without.

Coffee is present in thousands of moments
throughout our lives, starting with that first milky

coffee you try as a child.

You get older and then, eventually, you try coffee on
its own for the first time - pure coffee, the kind that

makes you feel grown up.

Your first work meeting. Your first contract signed
with a tough client.

I could go on and on.

Ultimately, coffee is like an old friend that
accompanies you through life.

A simple cup of coffee touches us all.

Those of us that work with it and - I hope - you who
enjoy our products.”

Massimo Zanetti

A top-down view of three compartments from a manual coffee grinder. The top compartment is filled with whole, dark brown coffee beans. The middle compartment is filled with finely ground coffee. The bottom compartment contains a cup of coffee with a white latte art design on top. The grinder has a silver metal body and a black handle.

1. THE MASSIMO ZANETTI BEVERAGE GROUP: GLOBAL COFFEE AMBASSADORS

Massimo Zanetti Beverage Group S.p.A. (hereinafter “MZB” or the “Group”) is one of the word leaders in the production, processing and distribution of roasted coffee. With turnover of €914 million and over 3,000 employees, the Group has a portfolio of more than 40 brands. Some are known around the world, such as Segafredo, which has been synonymous with Italian espresso since 1960, while others are leading players in local markets, thanks to brand identities which combine traditional influences with new market trends.

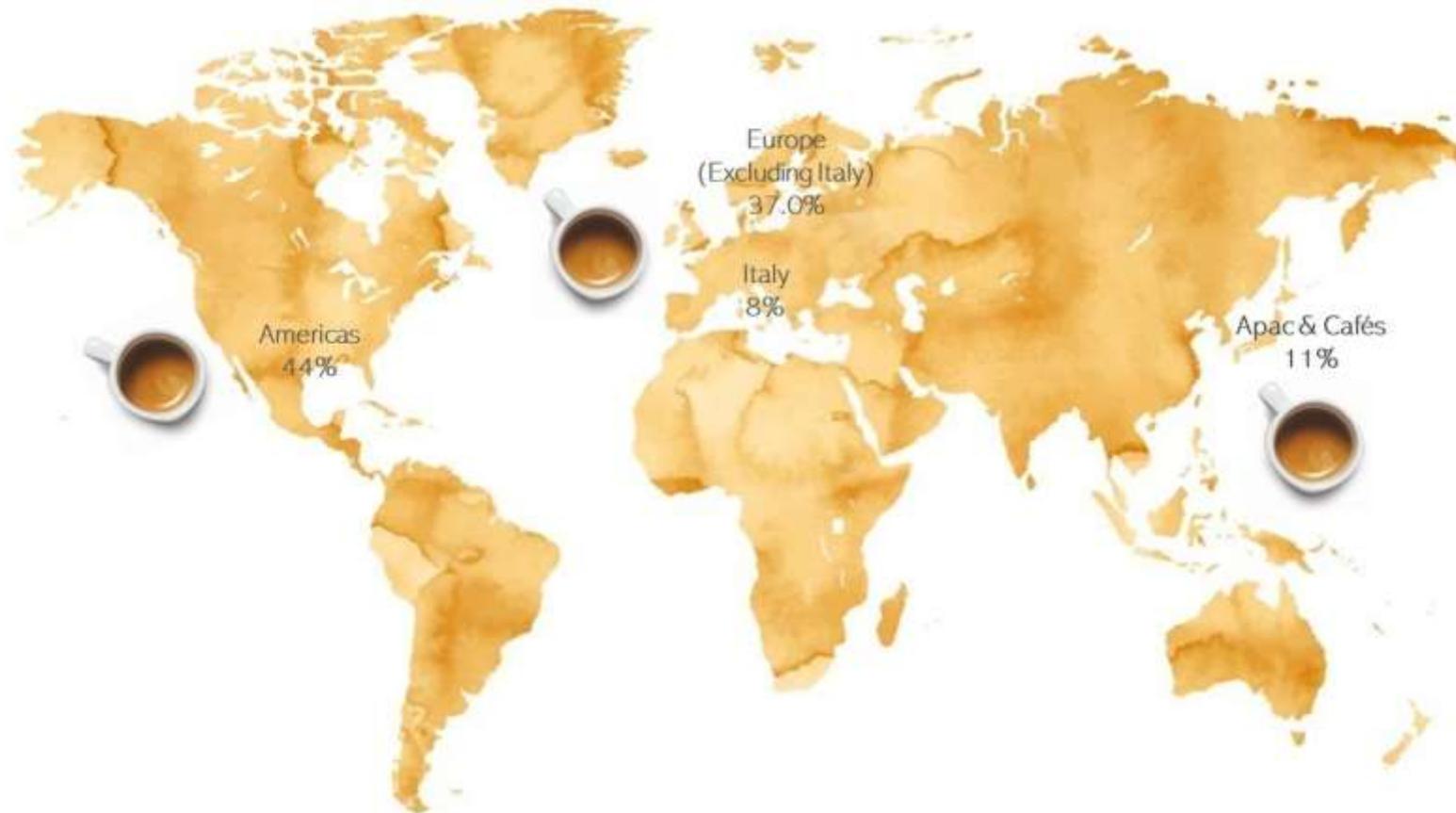
Underlying the strong international presence is a network of companies belonging to the Group, of which 20 are involved in roasting, and 37 conduct commercial operations, with a direct presence in 36 countries.

MZB also 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.

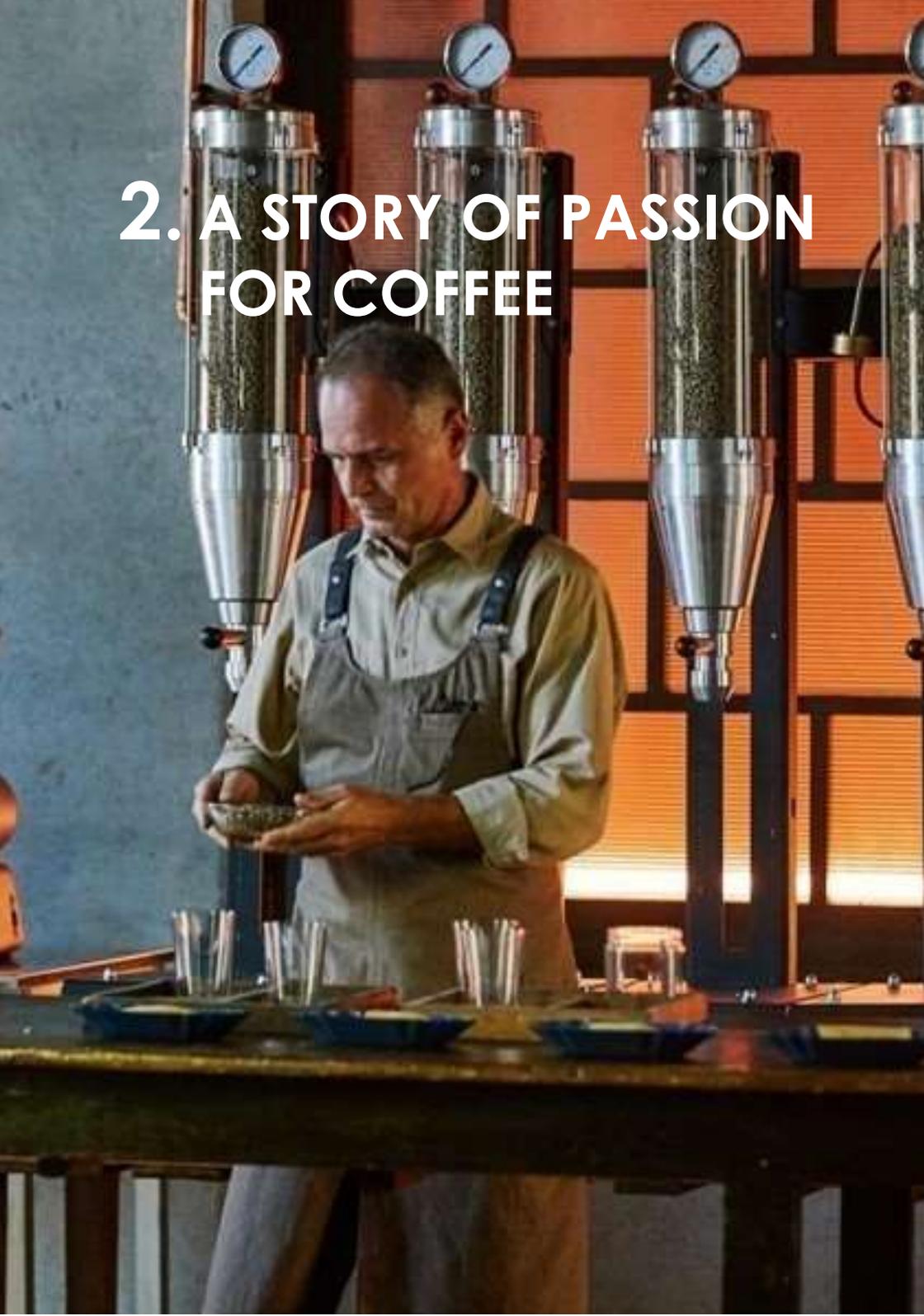
The Group's broad product range, which includes all types of roasted coffee - ground coffee, whole coffee beans, instant coffee, capsules and pods - allows us to accommodate the preferences and expectations of all our customers. As well as coffee, MZB produces and sells tea, spices, cocoa, chocolates and other food products, which it purchases from a network of selected suppliers.

In addition to procurement, roasting, packaging and sales activities, MZB also designs and produces “La San Marco” professional coffee machines for cafés, as well as machines for use in automatic dispensers in offices. Furthermore, the Group manages a network of approximately 400 franchise cafés around the world.

The Group has a particularly significant market presence in the United States, Italy, France, Spain and Portugal, Finland and the Asia-Pacific region. Despite its Italian origins, Italy now accounts for less than 10% of the Group's turnover.

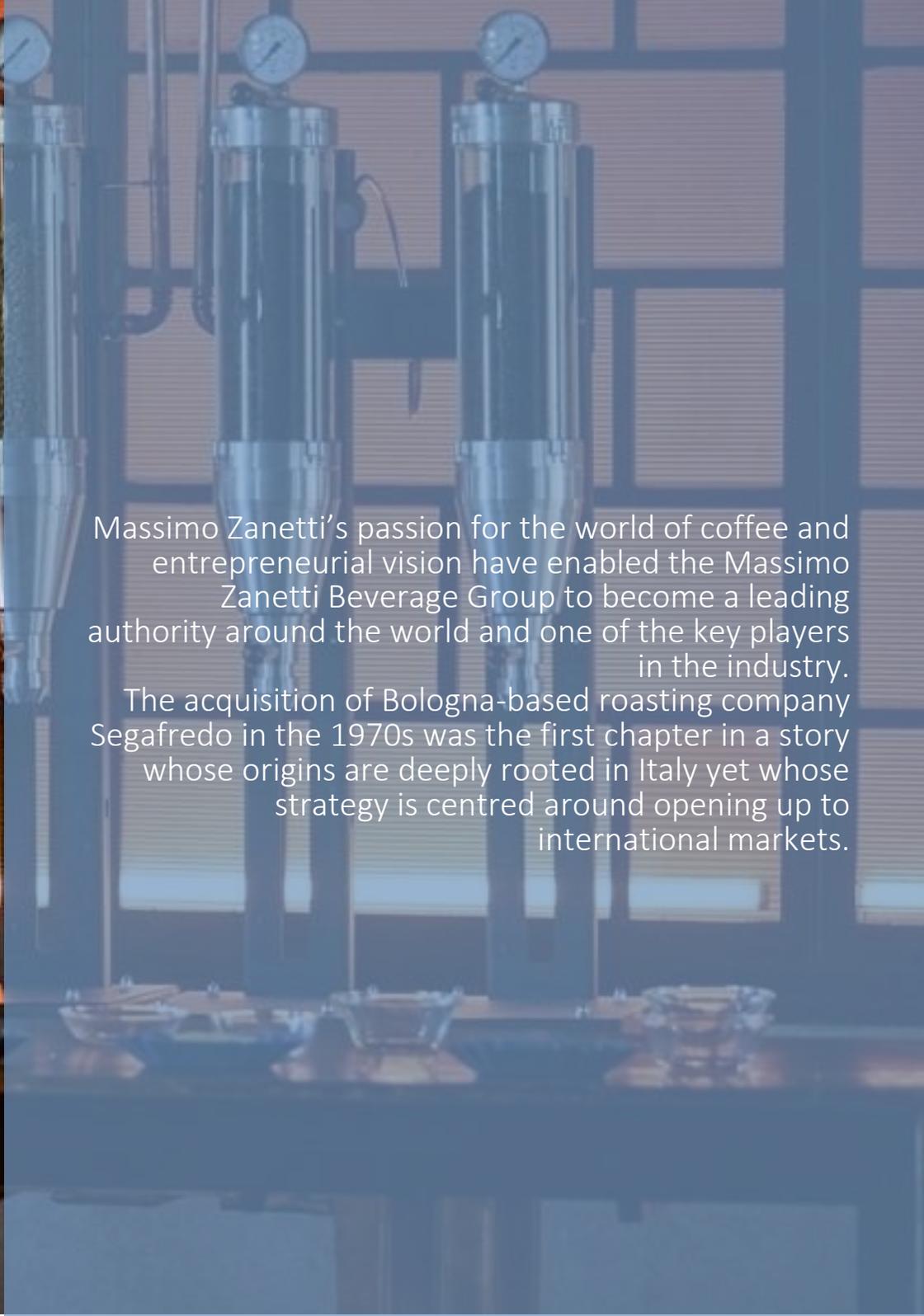


2. A STORY OF PASSION FOR COFFEE



Massimo Zanetti's passion for the world of coffee and entrepreneurial vision have enabled the Massimo Zanetti Beverage Group to become a leading authority around the world and one of the key players in the industry.

The acquisition of Bologna-based roasting company Segafredo in the 1970s was the first chapter in a story whose origins are deeply rooted in Italy yet whose strategy is centred around opening up to international markets.



1970-1980

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 **La San Marco**, one of the leading Italian brands for the supply of professional coffee machines and equipment for bars.



1980 - 2000

European expansion began, initially with the acquisition of a number of companies with production facilities in Austria and France, the creation of commercial businesses in Portugal and Spain and - finally - the signing of commercial agreements with distribution firms in Germany, England, USA and Australia. During this time, the acquisition of Cofiroasters, was finalised, a Swiss company operating in green coffee trading.

This period, lastly, also sees the first Segafredo Zanetti espresso branded cafés, which were mostly managed on a franchising basis.

During the 1990s, the Group's growth strategy continued, with further European and international expansion secured thanks to the acquisition of Dutch company TikTak and Finnish company Meira, one of the leading coffee companies in Finland (owner of well-known brand Kulta Katrino).

The process of internationalisation then moved beyond Europe, with the acquisition of Café Nova Suissa in Brazil and a distributor in Australia.

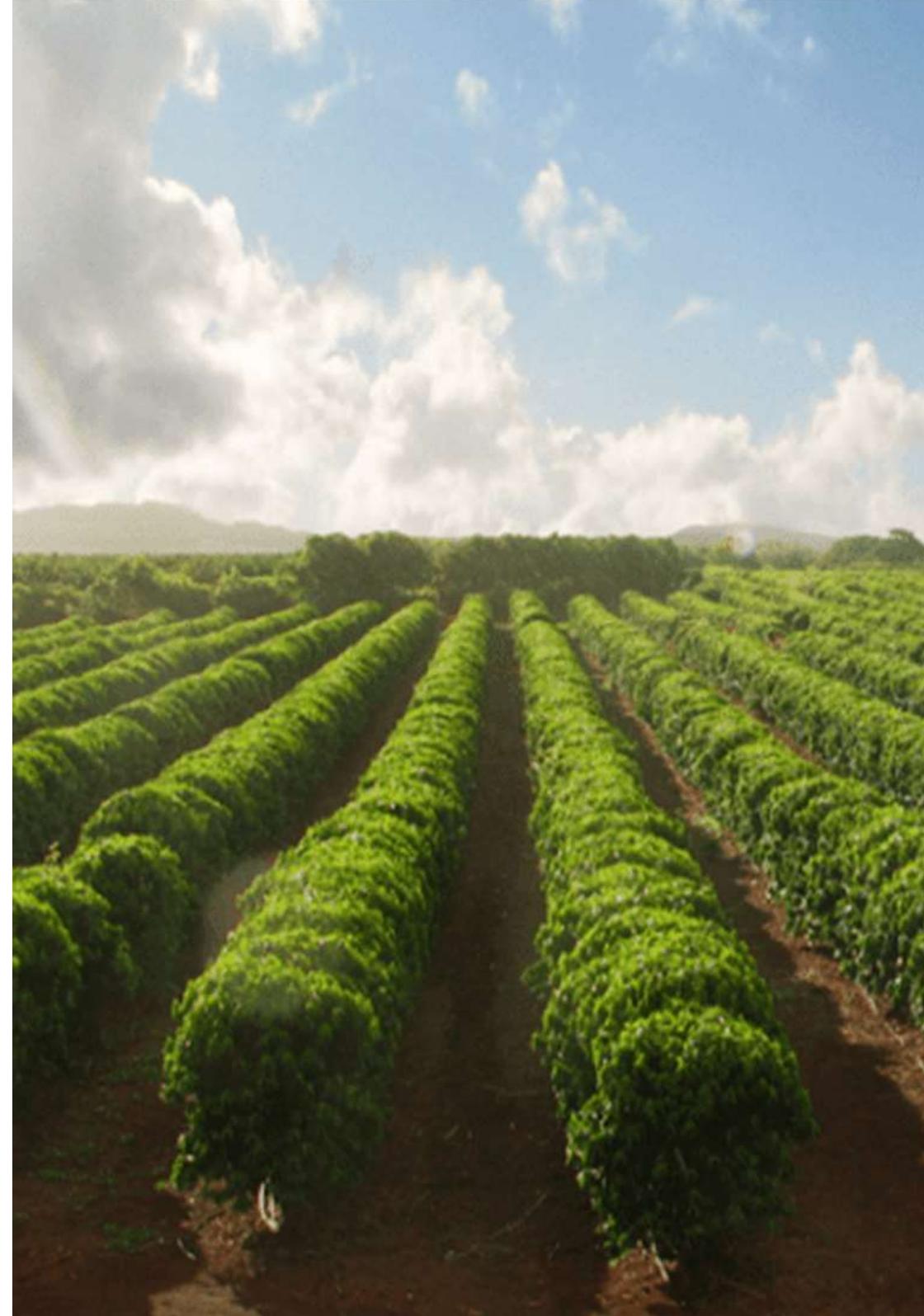


2000 – 2018

The Group continued to establish itself around the world thanks to the acquisition of four historic American brands, **Chock Full o’Nuts**, **MJB**, **Hills Bros** and **Chase and Sanborn**, and the purchase of a modern roasting plant in Suffolk, Virginia.

The commercial expansion process in North America also continued with the acquisition of **Kauai Coffee**, which manages the business related to the cultivation of green coffee in one of the largest and most productive coffee estates in Hawaii. MZB also became the owner of a business unit that includes a roasting plant in **Moonachie**, New Jersey.

In 2014, MZB bought the Boncafé Group, which operates in Asia and the Middle East. On the basis of this structure, Massimo Zanetti Beverage Group S.p.A. went on to be **listed on the stock exchange** in 2015. Between 2015 and 2018, the Group completed the acquisition of **Nutricafés S.A.**, which - following the merger with Segafredo Zanetti Portugal - became MZB Iberia. The Group also continued to invest, acquiring shareholdings in strategic, expanding markets such as Canada (**Club Coffee**), Australia (**Tru Blue**) and Indonesia (PT Caswells).



2019

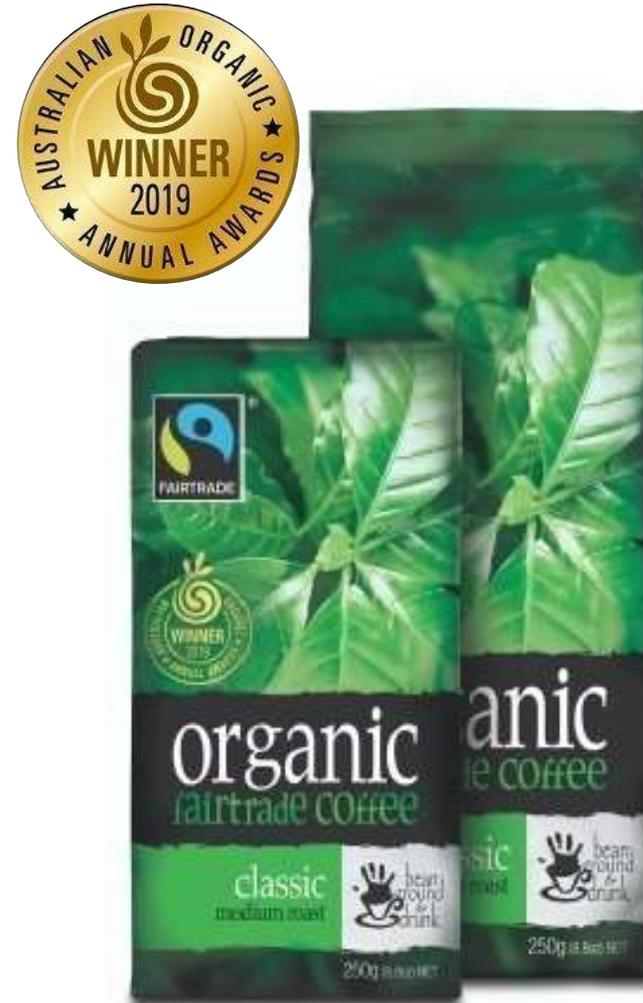
INNOVATION AND SUSTAINABILITY OVERSEAS

At the end of October 2018, the Group announced the acquisition of **The Bean Alliance**, an Australian company that had been operating for 35 years and was well-known for **product innovation**, particularly in the “local roasted” channel, which had significant growth potential, and for its focus on **sustainability**, illustrated by its many awards and certifications.

The acquisition of The Bean Alliance, completed in February 2019, strengthened the presence of the Massimo Zanetti Beverage Group in Australia and provided another important growth opportunity in the Asia Pacific region.

The Bean Alliance is mainly known for the **Bean Ground and Drunk**, **Gravity Espresso** and **Ox3** brands, which were set up to satisfy demand from artisan and new speciality coffee shops, local coffee communities and independent roasters, which are particularly popular with the new generation of baristas.

Bean Ground and Drunk is Australia's first certified organic coffee and has won many sustainability-related awards, including the **2019 Gold Champion Australian Certified Organic Non-Alcoholic Beverage of the Year at the Annual Awards for Organic Excellence**.



NEW INVESTMENT IN THE IBERIAN MARKET TO SATISFY GROWING EUROPEAN DEMAND, PARTICULARLY FOR BIODEGRADABLE CAPSULES

The MZB Group, through its subsidiary company **Massimo Zanetti Beverage Iberia**, has finalised the acquisition of Portuguese company **Cafés Nandi SA**.

Active in the Food Service sector, Cafés Nandi - the first company in Portugal to obtain the environmental certifications required by the EU - has a modern, efficient facility adjacent to the MZB Iberia facilities. This acquisition will enable us to increase the production capacity of roasting plants in the Iberian peninsula, satisfy **growing European demand, particularly for biodegradable capsules**, and achieve important new milestones in a range of areas, including those linked to sustainability.

The facility will be equipped with **solar panels capable of providing 80-90% of its total energy requirements**, making the site a model facility for other companies in the Group.

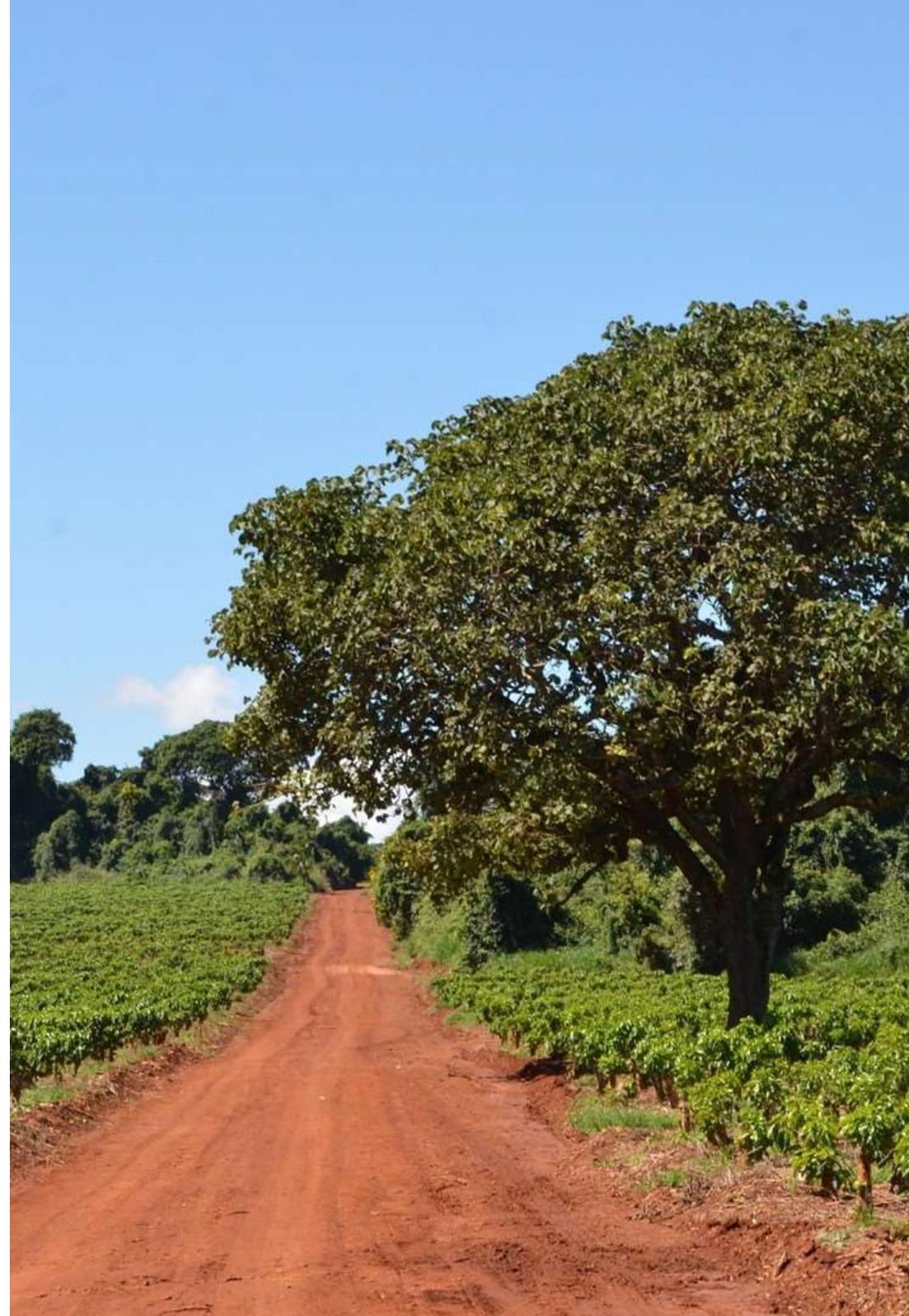


MZB GROUP STRENGTHENS ITS PRESENCE IN BRAZIL

The **Massimo Zanetti Beverage Group** has acquired **Café Pacaembu Ltda**, a company with over 60 years' experience which is synonymous with coffee in Brazil.

Thanks to the cutting-edge technology of the company's production facility and the brand's consolidated market presence, the Group will be able to tap into the expected rapid expansion of the coffee sector in Brazil.

Recently **named the best "extra strong" coffee** in terms of product quality and process standards by the Coffee Quality Program (PQC), run by the Brazilian Coffee Industry Association (ABIC), Café Pacaembu is one of the best-known coffees in the country.



GROUP POLICIES

During 2019, the five main companies in the MZB Group discussed business priorities including **sustainable procurement, product and process quality** and **environmental responsibility**, resulting in the creation of three Group-wide policies.

The identification of shared sustainability objectives, their implementation and the compliance of the individual companies and suppliers with the new requirements confirms the **MZB Group's commitment** to promoting the **adoption of ethical, virtuous behaviours within its supply chain**, to guaranteeing products that are of **high quality, safe** and exceed **client expectations** and to adopting company practices and innovative sustainable solutions to promote the **more efficient use of natural resources**.

For more information on the Quality Policy, please visit the "Products and clients" chapter. More information on the Sustainable Procurement Policy can be found in the "Value chain" chapter, while additional information on the Environmental Policy can be found in the "Environment" chapter.



MAIN TOPICS

- ethics and business integrity
- human rights
- environment



MAIN TOPICS

- innovation
- food and traceability certifications
- importance of consumers



MAIN TOPICS

- energy
- emissions
- waste
- raw materials

RENEWED PARTICIPATION IN THE SUSTAINABLE COFFEE CHALLENGE (SCC)

In 2019, the Hawaiian company of the MZB Group signed up to the Sustainable Coffee Challenge (SCC), an international collaborative initiative between companies, governments, NGOs and research institutes with the aim of setting out sustainable practices in the coffee sector. MZB USA and Boncafé International had already signed up to the SCC.

Currently, around 9% of the 3,100 hectares belonging to Kauai Coffee are treated with high-fertilising organic composted material, meaning that no chemical fertilisers are required. **By signing up to the SCC, Kauai Coffee Company has committed to increasing sustainable agricultural practices on its land by reducing the use of chemical fertilisers by 2022 and increasing the proportion of land treated organically and sustainably by 30%.**

With over 125 partners, the SCC aims to promote and increase sustainable working and supply practices throughout the supply chain by increasing sustainable procurement and monitoring crops and forests, with the objective of making coffee the leading sustainable crop in the world.





3. RESPONSIBLE BUSINESS MANAGEMENT

3.1 Corporate governance

Massimo Zanetti Beverage Group S.p.A. (“**MZBG**” and/or the “**Company**”) is listed on the MTA (**Mercato Telematico Azionario**), in the “STAR” segment, which is organised and managed by Borsa Italiana S.p.A. [Italian Stock Exchange], as of 3 June 2015.

The Company has adopted a traditional administration and control model, characterised by the presence of a management body, the Board of Directors, and a control body, the Board of Statutory Auditors.

MZBG's corporate governance system has been built in accordance with the **Borsa Italiana S.p.A. Corporate Governance Code** (the “Corporate Governance Code”) and with legislative provisions regulating Italian listed companies, based on international corporate governance best practices.

The MZBG Board of Directors plays a key role in guiding and managing the Company and the Group. As well as duties required by law and the bylaws, the Board of Directors is also exclusively responsible for taking important economic and strategic decisions and decisions with structural consequences for the running of the Company or that are relevant to the monitoring activities and direction of the Company and the Group.

Within the Board of Directors, an Appointments and Remuneration Committee and an Audit and Risk Committee have been set up, both of which have duties including making proposals and providing consultation, in accordance with the recommendations of the Corporate Governance Code. Within the Board of Directors,

a committee for operations with related parties (the “**Related Parties Committee**”) has also been set up.

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.

Auditing of the separate and consolidated financial statements for financial years ending between 31 December 2015 and 31 December 2023, as well as the limited audit of the condensed half-yearly consolidated financial statement for periods ending between 30 June 2015 and 30 June 2023, has been entrusted to the auditing firm PricewaterhouseCoopers S.p.A.

As the parent company, MZBG directs Company and Group strategy and undertakes management and coordination activities in accordance with Articles 2497 et seq. of the Italian Civil Code for subsidiary Italian companies belonging to the Group.

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.

With reference to Article 10, Paragraph 1 of Legislative Decree 254/16 on diversity in administration, management and control bodies, the Massimo Zanetti Beverage Group S.p.A. Board of Directors is composed of nine people, of which four women and five men, as detailed in the following table. For further information, reference is made in the 2019 Corporate Governance and Ownership Structure Report. The Company adheres to legislation relating to gender balance in its management and controlling bodies.

Composition of the Board of Directors of the parent company					
Gender	Age group	Unit of measure	2017	2018	2019
Men	Between 30 and 50 years old	No.	1	2	2
	Over 50 years old	No.	4	3	3
Total Men		No.	5	5	5
Women	Between 30 and 50 years old	No.	2	3	3
	Over 50 years old	No.	-	1	1
Total Women		No.	4	4	4
		No.	9	9	9

Preventative control systems against intentional and unintentional offences are based on the organisational model adopted in accordance with Decree No. 231/2001. The model includes the implementation of the following elements, which 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 audit and risk management system, an independent Supervisory Board 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 three 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 separate 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 30 January 2020, the Board of Directors approved the **“2020 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 topics	Legislative Decree No. 254/2016 Area	Type of risk	Risk
Packaging and sustainable innovation	Environmental aspects	Strategic and business	<ul style="list-style-type: none"> - Failure to perceive and follow new market trends triggered by the introduction of coffee-derived products (i.e. single-serve coffee, coffee-flavoured drinks, biodegradable products etc.) and new technology applicable to coffee (i.e. B2C coffee machines) - Failure to respond to legislative changes and consumer demands regarding packaging
Energy efficiency and climate change	Environmental aspects		<ul style="list-style-type: none"> - Failure to adhere to the environmental demands of clients and consumers - Risk linked to climate change and its consequences in terms of supply (plant disease, loss of biodiversity, floods and other events that could result in supply chain disruption)
Responsible waste management and circular economy	Environmental aspects	Legislative compliance / reputational / strategic and business	<ul style="list-style-type: none"> - Failure to adhere to Italian/European environmental legislation outside the EU
Sustainability and traceability of procurement	Social aspects	Strategic and business	<ul style="list-style-type: none"> - Use of suppliers which use undeclared workers - Lack of social/supply chain certifications required by the market - Risk linked to the geopolitical context or perception of social security (e.g. terrorist attacks) as regards supply chain continuity - Potential operational interruptions due to deliveries of raw coffee from suppliers and in regards to required qualitative, quantitative and timing standards
Product quality and safety	Social aspects	Legislative compliance	<ul style="list-style-type: none"> - Failure to adhere to requirements regarding compulsory product certifications (e.g. CE marking) - Failure to comply with food sector requirements regarding production processes and/or qualitative standards required by clients in terms of food safety (HACCP, Fair Trade, etc.) - Failure to comply with individual country requirements - Use of contaminated raw materials or raw materials that are unsafe for consumers.
Listening and communicating with customers and consumers	Social aspects	Legislative compliance	<ul style="list-style-type: none"> - Violation of client data privacy/loss of data.
Protection of human rights through the value chain	Human rights	Legislative compliance / operational and reputational	<ul style="list-style-type: none"> - Violation of the human rights of local communities affected by the Group's procurement activities (e.g. child labour, forced labour, right to land of indigenous people). - Violation of the human rights by suppliers of raw materials (e.g. child labour, forced labour, right to land of indigenous people). - Potential use of suppliers which use undeclared workers

Material topics	Legislative Decree No. 254/2016 Area	Type of risk	Risk
Compliance, ethics and integrity	Fight against corruption	Operational and reputational	<ul style="list-style-type: none"> - Improper market competition / monopolistic behaviour - Significant fines/sanctions - Risk linked to management attitude which does not adhere to ethical and behavioural principles. - Risk linked to the possibility that employees and/or agents can engage in improper commercial practices towards third parties (i.e. active corruption) - Risk linked to the possibility that employees could be corrupted by suppliers (passive corruption) - Some companies in the Group operate in countries characterised by an elevated environmental risk linked to corruption
		Legislative compliance	<ul style="list-style-type: none"> - Risk linked to the absence of rules and protections regarding the management and control of the company's activities and performance (e.g. as regards compliance with MOG 231) - Risk linked to failure to adhere to legislation and regulation relating to market abuse (e.g. identification of and communication with people who have access to privileged information)
Diversity and equal opportunities	People management	Legislative compliance	<ul style="list-style-type: none"> - Risk linked to failure to comply with the National Collective Bargaining Agreement (CCNL) / former Workers' Statute / other legislation on labour rights (e.g. contributions, child labour) - Risk linked to failure to adhere to legislative changes regarding employment contracts
		Operational and reputational	<ul style="list-style-type: none"> - Risk of staff dissatisfaction linked to salary differences (between genders, with competitors, in the geographical context etc.) - Risk linked to failure to consider and therefore protect the needs of under-represented groups (e.g. women, other vulnerable groups)
Health and safety in the workplace	People management	Legislative compliance	<ul style="list-style-type: none"> - Risk linked to the health and safety of employees (safety protections - Personal Protective Equipment (PPE), fire prevention etc. - and working conditions which adequately reflect specific risks, safety data sheets, health services in Countries in which the Group has offices)
Professional well-being and retention	People management	Strategic and business	<ul style="list-style-type: none"> - Risk linked to staff turnover and loss - Risk linked to the protection of company know-how subsequent to voluntary departures - Risk linked to low turnover / ageing company population - Risk linked to recruitment difficulties - Risk linked to difficulties in dealing with any technological changes (introduction of new tech) and managing change - Risk that the remuneration model fails to incentivise staff to achieve the company objectives set out in the strategic plan - Risk linked to inadequacy of the Company Organisation Chart and/or inefficiencies in accommodating operational and regulatory needs (description of roles and expected responsibilities vs adequacy of the staff in positions)

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 accordance with this approach, as set out in the “Our approach to sustainability: the sustainable blend” chapter, MZBG decided to strengthen central control over non-financial issues in 2018, starting with an analysis of internal processes.

This process led to an investigation into the ways non-financial issues are handled in the five biggest Group companies, enabling the Group to develop a group of policies, which were approved by the Board of Directors in late 2019.

These policies lay the foundations for an organic, well-structured strategy covering responsible procurement, mitigation of environmental impacts and quality of products and processes. All Group companies are in the process of adhering to these policies.

In addition to adopting these policies, individual companies operate in accordance with local regulations, taking adequate action to cover and mitigate potential business risks and the impacts of these. The ways in which the companies manage these factors are explored in more detail in other chapters (People, Products and clients, The value chain and Environment).

By way of example, as regards **environmental factors**, some companies (such as La San Marco, Meira, Café Montaña in Costa Rica, Segafredo Zanetti Italia, Segafredo Zanetti Poland, Massimo Zanetti Beverage Vietnam, Boncafé Thailand and Segafredo Zanetti France) have implemented a system of specific policies, procedures

and environmental management systems and set out specific targets and initiatives with the aim of reducing environmental impacts.

For example, **Café Montaña** – the second largest roaster in Costa Rica – has set itself the **objective of reaching carbon neutrality by 2020**.

Meira has committed to reducing **CO₂ emissions by 2 million tonnes by 2030**, in line with Finland's national strategy of reaching carbon neutrality by 2035.

The risks associated to food quality and safety, meanwhile, 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, several Group companies are certified in accordance with recognised international food safety standards.

Finally, in terms of **supply chain management** (see “The value chain”), the companies in the Group set out procedures for the selection and management of suppliers on the basis of criteria spanning quality, value and regulatory compliance. For larger companies, supplier selection practices can also consider social and environmental factors, as is the case for Segafredo Zanetti Brazil, Café Montaña, Boncafé Middle East, Boncafé Thailand, Brodies, Meira, Segafredo Zanetti France and Segafredo Zanetti Poland sp. z o.o. 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 are committed to purchasing coffee certified according to the highest and best-known product standards, such as UTZ, Rainforest Alliance, Fairtrade and the "Organic" certification. In 2019, the companies of the MZB Group bought an increased percentage of **certified raw materials** in comparison with previous years. Now, around **15% of the total green coffee bought by the Group is certified, a 56% increase** compared with 2018.

As regards **people management**, the various companies in the Group have implemented a number of different policies to deal with the risks identified.

Some companies have implemented **performance assessment systems based on annual targets and - where applicable - sustainability issues** (Meira, Segafredo Zanetti Brazil, Café Montaña, Massimo Zanetti Beverage Deutschland, Boncafé Middle East, Massimo Zanetti Beverage Japan, Boncafé Thailand, Segafredo Zanetti Poland and Boncafé Malaysia).

Furthermore, in some companies, such as Meira, Segafredo Zanetti Brazil, Boncafé Middle East, Segafredo Zanetti Austria, Segafredo Zanetti Japan, Boncafé Thailand and Tik Tak, **company climate surveys** are undertaken to improve relations and maintain constant dialogue with employees

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.

Several companies, such as Massimo Zanetti Beverage USA, Segafredo Zanetti Italia and Meira, have implemented specific policies and procedures to monitor risks relating to employee health and safety and compliance with national legislative requirements.

As explained in the *Ethics and compliance* paragraph, 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 and Management Model under Legislative Decree No. 231/2001** and created special **Supervisory Boards**.

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.

3.2 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, clients, consumers, suppliers, business partners, communities, employees and institutions.

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.

3.3 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 & DON'Ts) 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.

In consideration of the need to implement formal policies and procedures regarding the management of significant issues for the Group, such as the prevention of market abuse, Massimo Zanetti

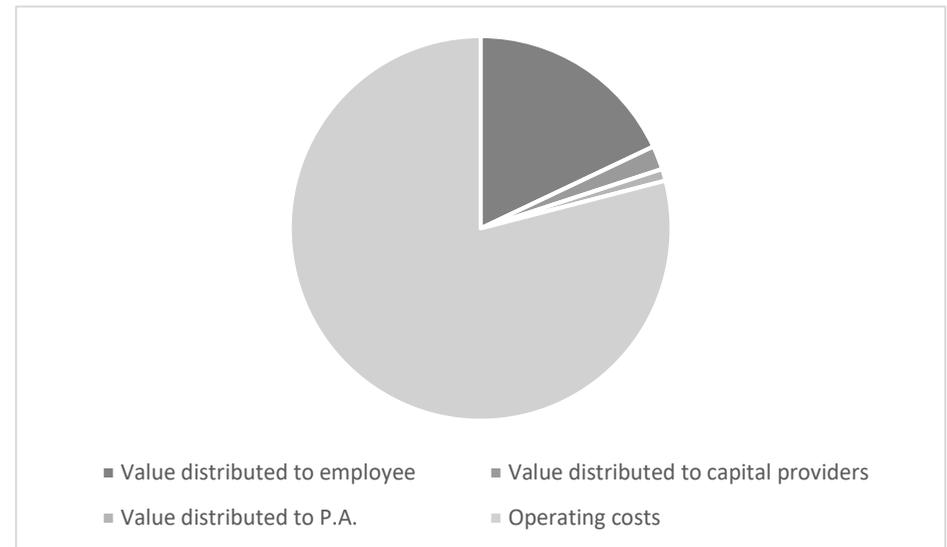
Beverage Group S.p.A. has adopted an internal Market Abuse procedure, in accordance with EU Regulation No. 596/2014 and related implementing regulations that can be found on the Group website.

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.

In the three-year period between 2017 and 2019, there were no episodes of non-compliance with laws and regulations in economic and social areas, except for one case of socio-economic non-compliance which led to an administrative sanction for Meira OY, which the company quickly dealt with. [GRI 419-1] Similarly, the three-year period saw no legal action as a result of anti-competition or anti-trust behaviour or monopolistic practices [GRI 206-1]. Similarly, there were no incidents of corruption in 2019 [GRI 205-3].

3.4 Creation of sustainable value

In 2019, 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 €920 million. Of this, more than €864 million, equal to 94%, was distributed to stakeholders: 18% was distributed to the workforce, 79% to the suppliers of goods and services, 2% to providers of capital and 1% to Public Administration.



¹ Controlled by MZ Industries S.A. with a 68.047% holding as at 31 December 2019.

4. OUR APPROACH TO SUSTAINABILITY: "THE SUSTAINABLE BLEND"

A woman wearing a straw hat and a dark long-sleeved shirt is harvesting coffee beans in a field. She is holding a large, shallow, woven basket filled with coffee beans. The background shows a vast coffee plantation under a clear blue sky. The image is split vertically, with the left side showing the woman and the right side showing a close-up of the coffee beans in the basket.

For the Massimo Zanetti Beverage Group, sustainability is about conveying the principles of respect, responsibility, dedication and professionalism every day, building a virtuous cycle that results in shared, pro-active commitment.

For the Massimo Zanetti Beverage Group, acting responsibly by upholding the values of quality and sustainability is an integral part of its business and of the day-to-day actions of its individual companies. The Group promotes these principles among its clients and consumers, as well as among shareholders, employees and local communities in which MZBG operates, as part of an effort to give back to local areas - something that has always been part of the company's DNA and entrepreneurial vision.

2019 saw the continuation of the policy launched last year that identified a sustainability roadmap, entitled "**The sustainable blend**". The aim of this roadmap is to bring the focus of all companies in the Group onto non-financial issues and to come up with shared responses in a constantly evolving context. "The sustainable blend" is centred around four strategic areas: environmental responsibility, product and process quality, procurement practices and developing people.

More specifically, during 2019, the main companies in the Group (Segafredo Zanetti Italia, Segafredo Zanetti France, Massimo Zanetti Beverage USA, Meira and Boncafé) shared strategic guidance on highly relevant non-financial issues for business and society - the epitome of the Group's values and commitments. The companies formally agreed the following policies:

- The **Environmental Policy** aims to set out a common approach to how we manage environmental issues such as energy supply, emissions reductions, the efficient use of natural resources and raw materials and responsible end-of-life product management;
- The **Quality Policy** promotes innovation and the sharing of best practices between the various companies belonging to the

Group and sets out a common approach designed to guarantee elevated quality and food safety standards and ensure maximum client and end consumer satisfaction;

- The **Responsible Procurement Policy** aims to promote responsible management of procurement practices and the impacts generated throughout the supply chain by the various players involved.

As part of efforts to promote responsible procurement practices, the main companies in the Group have also set out a series of specific initiatives and objectives designed to maximise and improve the impacts of individual companies and the Group throughout the supply chain. Some of these initiatives have already been published as part of international projects such as the **Sustainable Coffee Challenge** (SCC).

"The sustainable blend" also includes the gradual adoption of a Group approach to sustainability, starting with the implementation of the aforementioned policies within the Group's five main companies. The implementation phase also includes the identification - initially by this group of companies - of guidelines and ad hoc tools designed to facilitate the common management of priority areas included in the policies.

2018 ACTION AREAS

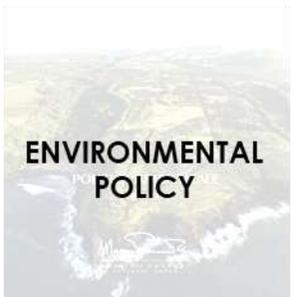
2019 RESULTS

NEXT STEPS

ENVIRONMENTAL RESPONSIBILITY

Preserving natural resources and making sure they are used more efficiently is vital to the MZB Group, which has analysed the impacts generated by its operations to identify areas in need of attention.

ENERGY CLIMATE CHANGE CIRCULAR ECONOMY PACKAGING



Implementation of and compliance with compulsory requirements set out in the Environmental Policy, which is shared with all companies in the Group

QUALITY AND SAFETY

For MZBG, quality is about an ongoing process of improvement ranging from the implementation of the highest quality, food safety and traceability standards to using product innovation to maximise client and consumer satisfaction.

FOOD SAFETY TRACEABILITY CLIENT RELATIONS



Implementation of and compliance with compulsory requirements set out in the Quality Policy, which is shared with all companies in the Group

PROCUREMENT PRACTICES

The sustainable management of the supply chain is a key topic. The Group's policy is to standardise the Responsible Procurement Policies of its companies, setting out common rules to maximise their impact across the supply chain.

MANAGEMENT OF SUPPLIERS HUMAN RIGHTS LOCAL COMMUNITIES



Implementation of and compliance with compulsory requirements set out in the Responsible Procurement Policy, which is shared with all companies in the Group and signed up to by suppliers

SUSTAINABLE COFFEE CHALLENGE (SCC)

MZBG recognises the need to participate in initiatives and projects which - as well as **improving the reputation** and visibility of the Group - **contribute to the attainment of global sustainability objectives shared by other companies in the sector.**

The SCC's mission is to make coffee production and the product itself 100% sustainable.



Publication of sustainability objectives by MZB USA, Kauai, Boncafé International, Meira and Segafredo Zanetti France as part of the SCC

4.1 Materiality matrix

In 2019, MZBG updated its materiality analysis, which identifies relevant issues for the Group and its stakeholders.

In accordance with GRI Standards, relevant issues for the Group are those that reflect the significant economic, environmental and social impacts of the organisation or that heavily influence the assessments and decisions of stakeholders.

Internal discussions on sustainability issues during the year, coupled with ongoing dialogue with all stakeholders and a sector analysis, have confirmed the relevance and significance of the material issues identified in the previous materiality analysis.

In the below table, each material topic is shown with a brief description, the chapter containing information on it and the corresponding section of Legislative Decree No.254 of 30 December 2016 (hereinafter the "Decree"), which adopts Directive 2014/95/EU on non-financial reporting into Italian law.

It should be pointed out that the use of water resources has not been identified as a material issue, despite it being specifically cited in Legislative Decree No.254. The reason for this is that the direct activities of the Group do not have a significant impact on water resource usage.

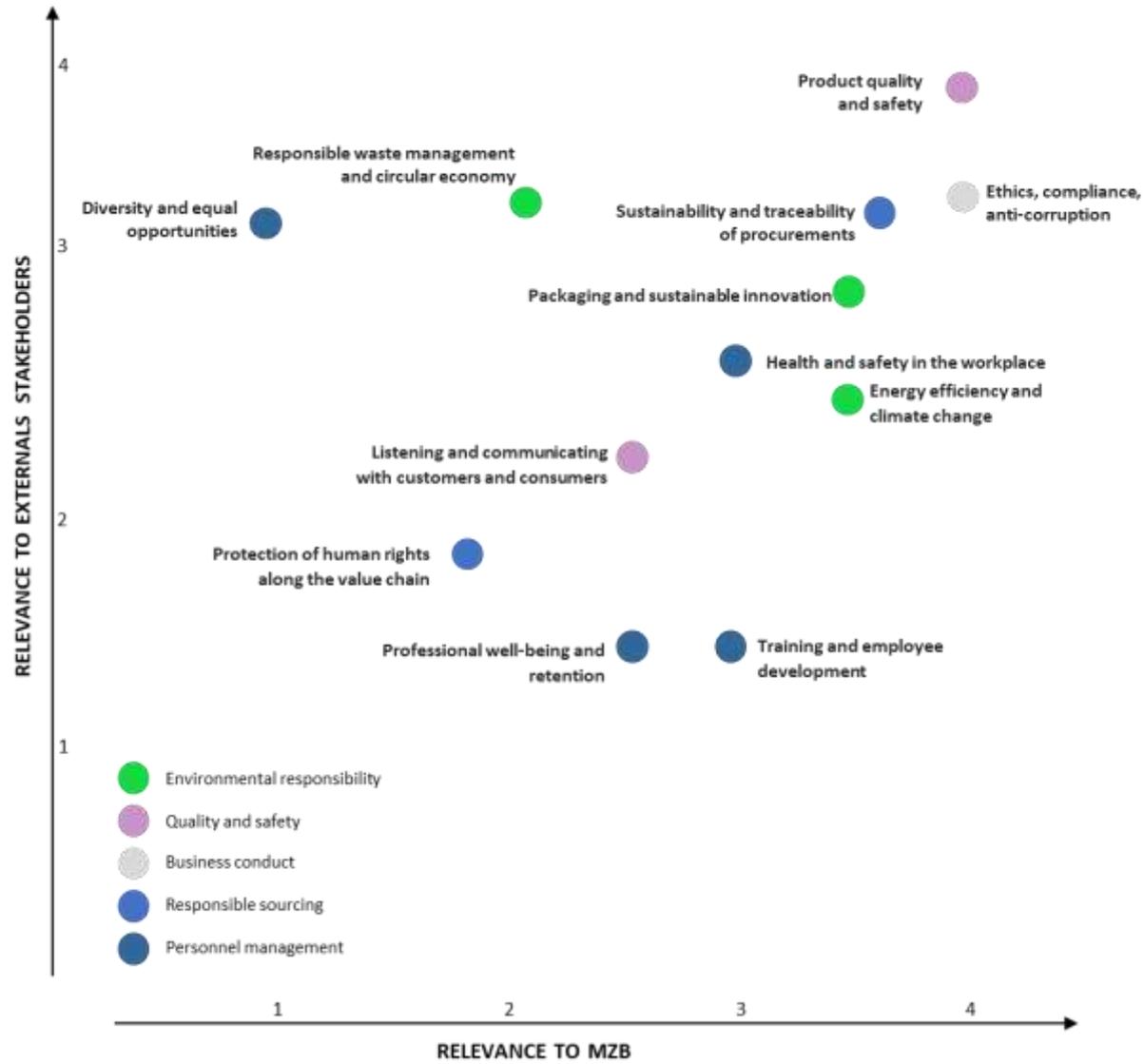
Dialogue with stakeholders

Dialogue with stakeholders is crucial for MZBG. Every year, the companies of the Group carry out many initiatives to promote the dialogue and communication with its internal and external stakeholders. The Group uses a range of different tools to do this, 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 stakeholders	Main communication channels
Employees and collaborators	<ul style="list-style-type: none"> - Ongoing communication by various channels (intranet, newsletters etc.) - Internal satisfaction survey (for some companies) - Regular meetings, including those regarding health and safety in the workplace
Clients and consumers	<ul style="list-style-type: none"> - Market research - Tests, focus group, questionnaires and online interviews, <i>Product and Customer Satisfaction</i> assessments (for some companies) - Social media (e.g. Facebook, Twitter) - Company websites, newsletters - Events - Client services
Baristas	<ul style="list-style-type: none"> - Training courses (Segafredo Academy) to ensure a professional, quality service, special annual championships - Meetings to set out training opportunities - Newsletters
Suppliers	<ul style="list-style-type: none"> - Co-product development - Business meeting and ongoing communication, partly to manage any issues and disruptive events (e.g. Brexit) - Audits and visits to facilities to guarantee elevated quality standards (for some companies)
NGOs and local communities	<ul style="list-style-type: none"> - Charitable activities and contributions to external exhibitions and shows - Activities designed to benefit local communities
Competitors	<ul style="list-style-type: none"> - Participation in discussions with local stakeholders
Associations	<ul style="list-style-type: none"> - Regular meetings (specific to the context in which each company operates)
Unions	<ul style="list-style-type: none"> - Ongoing dialogue and fulfilment of collective bargaining obligations to trade union associations
Shareholders and financial communities	<ul style="list-style-type: none"> - Shareholders' Assembly - Operating reports, press releases and investor presentations - Analyst calls, investor meetings, roadshows and investor conferences - Dedicated email address: investors@mzb-group.com
Schools and universities	<ul style="list-style-type: none"> - Visits of company representatives to universities and Master's courses in order to attract new talents - Participation in support programmes for students in financial difficulty (e.g. distribution of books) (for some companies) - Collaboration with universities and schools on placement and traineeship projects (for some companies)
Franchisee	<ul style="list-style-type: none"> - Visits to franchise stores and regular meetings (for some companies)

MZBG's 2019 Materiality Matrix



Topic	Meaning for MZBG	Where it appears in the text	Legislative Decree No. 254/2016 Area
Compliance, ethics and integrity	Respect for the values, principles, standards and behavioural norms that guide company conduct, anti-corruption efforts and propriety in negotiations and business.	Ethics and compliance	Fight against active and passive corruption
Product quality and safety	Focus on product safety, starting with the selection of raw materials and the implementation of production and quality control procedures which reflect the highest international standards.	Products and clients	Social impacts
Listening and communicating with customers and consumers	Monitoring of client and consumer perception, both in terms of how their tastes are evolving and how satisfied they are, in addition to adequate communication of all relevant product characteristics.	Products and clients	
Sustainability and traceability of procurement	Focus on social and environmental conditions throughout the supply chain and possibility to trace the "story" of the product by monitoring all key supply chain phases.	The value chain	
Protection of human rights through the value chain	Respect for and promotion of human rights throughout the value chain and integration of these principles into management models and significant company processes.	The value chain	Human rights
Energy efficiency and climate change	Efficient and logical use of energy resources to improve performance and reduce climate-altering emissions linked to activities directly managed by the Group.	Environment	Environment
Responsible waste management and circular economy	Reduction and overall optimisation of waste management, with a particular focus on production materials, food waste and packaging waste.	Environment	
Packaging and sustainable innovation	Development of new packaging solutions which can guarantee a reduction in the consumption of materials used and mitigate their effects on the environment, while at the same time guaranteeing elevated product quality standards.	Environment	
Diversity and equal opportunities	Promotion of equal opportunities and diversity within the company, in accordance with agreements, legislations and guidelines on the national and international levels.	People	People management
Training and development of employees	Personnel training and development activities designed to guarantee the growth, management and strengthening of staff expertise, in accordance with the needs of the Group.	People	
Health and safety in the workplace	Prevention, monitoring and reduction of risks linked to employee health and safety in the workplace.	People	
Professional well-being and retention	Focus on employee well-being and ensuring a positive and attractive company environment.	People	

5. PEOPLE



Our people are our most important asset - one that must be protected and enhanced on a daily basis. That's why we strive to build a working environment which allows our employees to grow, develop their talent and operate in the best possible conditions, fostering relationships based on mutual trust and maximum propriety.

5.1 Our human resources

People are one of the key factors in enabling a company to be competitive in the long term. Indeed, building an attractive working environment is considered increasingly important when it comes to guaranteeing the success of an organisation like MZB.

The Massimo Zanetti Beverage Group adopts a people management policy that aims to protect diversity and equal opportunities, as well as promoting training and professional development. The objective is to create a positive work environment, characterised by transparency and openness to dialogue.

The Massimo Zanetti Beverage Group also 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.

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, in line with the values set out 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.



5.2 Professional well-being and retention

The Massimo Zanetti Beverage Group is committed to provide its employees with a stimulating work environment which is capable of fostering individual development.

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, every two years a survey is carried out to measure the level of satisfaction among employees, identify any area that needs improving and get feedback on potential initiatives.

After completing its annual performance review, **Boncafé Thailand** introduced a questionnaire designed to assess the level of employee engagement and inclusion, improve internal communication, gather the opinion of employees and highlight the factors required to ensure a good level of engagement within the organisation.

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.

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.

CREATING VALUE FOR EMPLOYEES THROUGH SYNERGY: THE BONCAFÈ THAILAND EXPERIENCE

During 2019, our Asian subsidiary **Boncafé Thailand** worked with the **Boncafé Singapore Group** to introduce employee initiatives, including the awarding of prizes based on length of service at the company.

Boncafé Thailand also worked with an external company to bring in initiatives such as the **Bon to Bon** newsletter, to improve internal communication, create a sense of social conscience and promote a culture that encourages collaboration between different people. Additional initiatives introduced during 2019 included the publication of vacancies within the company and the promotion of sports activities such as yoga and badminton.

In total, 2019 saw a reduction in hires across the Group. As for employees leaving, in 2018 the turnover rate remained unchanged for women and men [GRI 401-1]².

All 2019 data is shown from two perspectives: the column with the heading "2019*" refers to the parameter that excludes the acquisition of The Bean Alliance and Puccino's, which is to all effects an independent company from this year, while the column with the heading "2019" refers to the entire Massimo Zanetti Beverage Group.

² The data regarding turnover and recruitment for 2017 and 2018 have been re-examined following the change to the calculation method. The rate of recruitment and turnover has been calculated by dividing the

Employees leaving, by region	2017		2018		2019*		2019	
	M	W	M	W	M	W	M	W
Americas (n.)	147	52	148	61	162	71	162	71
Rate of turnover (%)	26.4	22.1	25.5	23.3	29.3	26.5	29.3	26.5
Asia and Oceania (n.)	95	144	136	147	124	138	131	141
Rate of turnover (%)	21.3	32.4	29.9	32.6	26.5	29.5	25.3	28.7
Northern Europe (n.)	39	24	1	26	47	30	48	31
Rate of turnover (%)	12.3	14.5	0.5	16	14.5	18.9	14.6	19.1
Southern Europe (n.)	60	24	2	25	57	21	57	21
Rate of turnover (%)	10	9.4	0.4	9.5	9.1	7.6	9.1	7.6
Group turnover rate	17.7	22.2	14.7	22.8	19.8	22.2	19.7	22.0

M: men W: women

New hires by region	2017		2018		2019*		2019	
	M	W	M	W	M	W	M	W
Americas (n.)	119	26	181	100	143	70	143	70
Rate of recruitment (%)	21.4	11.1	31.2	38.2	25.9	26.1	25.9	26.1
Asia and Oceania (n.)	127	161	142	156	138	154	152	157
Rate of recruitment (%)	28.4	36.3	31.2	34.6	29.5	32.9	29.3	31.9
Northern Europe (n.)	38	36	60	27	49	26	49	26
Rate of recruitment (%)	12	21.8	18.5	16.7	15.1	16.4	14.9	16
Southern Europe (n.)	111	23	59	33	85	35	85	35
Rate of recruitment (%)	18.4	9	9.9	12.5	13.6	12.7	13.6	12.7
Group hiring rate	20.5	22.4	22.6	27.8	21.1	24.3	21.2	24

M: men W: women

total number of employees hired (or employees leaving the company), split by geographical area or gender, by the total number of employees belonging to that geographical area or gender group.

Employees leaving across the Group		2019*		2019	
		No.	Rate of turnover	No.	Rate of turnover
Men	< 30 years old	137	44.9	142	44.1
	30 ≤ x ≤ 50 years old	176	16.7	179	16.7
	> 50 years old	77	12.5	77	12.2
Total men		390	19.8	398	19.7
Women	< 30 years old	136	59.6	136	58.9
	30 ≤ x ≤ 50 years old	79	11.9	82	12
	> 50 years old	45	16.3	46	16.2
Total women		260	22.2	264	22.1

Group hires		2019*		2019	
		No.	Rate of recruitment	No.	Rate of recruitment
Men	< 30 years old	162	53.1	169	52.5
	30 ≤ x ≤ 50 years old	197	18.7	202	18.8
	> 50 years old	56	9.1	58	9.2
Total men		415	21.1	429	21.2
Women	< 30 years old	147	64.5	148	64.1
	30 ≤ x ≤ 50 years old	106	15.9	107	15.7
	> 50 years old	32	11.6	33	11.6
Total women		285	24.4	288	24.1

	2017	2018	2019*	2019
Group turnover rate	19.4	17.7	20.7	20.6
Group hiring rate	21.2	24.5	22.3	22.3

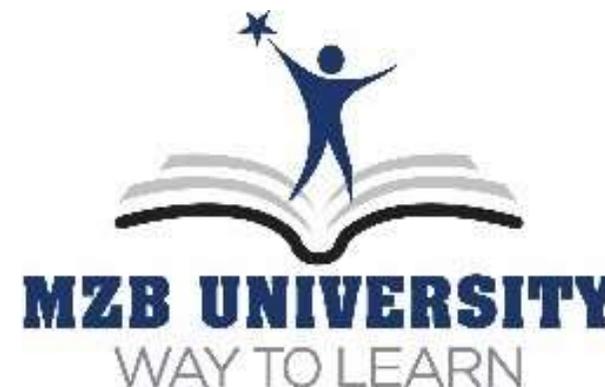
5.3 Training and development

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 setting out specific action plans in those areas. 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 **MZB USA**, for example, 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, partly to remedy deficiencies or strengthen specific areas identified through performance assessments carried out by their managers.

Massimo Zanetti Beverage Iberia also 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.



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 2019 have resulted in an average number of hours of training per employee equal to 10.4 hours per person, a slight decline on 2018. [GRI 404-1]

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

Training by category	2017	2018	2019*	2019
Training provided to Managers and Executives	3,264	4,831	5,430	5,520
Training provided to white collar staff	9,047	10,047	13,327	13,428
Training provided to blue collar workers	16,991	18,108	14,625	14,670
Training by gender	2017	2018	2019*	2019
Training provided to women	10,403	11,369	11,863	11,948
Training provided to men	18,901	21,612	21,519	21,671
Average training per employee	9.7	11.0	10.6	10.4
Average training – women	9.5	10	10.1	10
Average training – men	9.8	11.1	10.9	10.7

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 regards to the GRI 404-1 indicator, it should be stressed that 2017 data for Kauai Coffee Company LLC is not present as no data on staff was reported.

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.

During 2019, **Boncafé Thailand** introduced a new Strategic Performance Management System which - as well as being more accurate than the previous system - makes it possible to integrate ability evaluations, individual career development plans, KPI monitoring related to company's core values and performance reviews for each employee.

In general, 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). Two years ago, **The Bean Alliance** - which was acquired in 2019 - adopted a performance assessment system featuring a self-assessment employee questionnaire and feedback from two colleagues or managers. Once the first phase is completed, the employee is invited to a meeting to evaluate their performance in achieving objectives and results.

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. Meanwhile, at Brazilian subsidiary **Segafredo Zanetti Brazil**, a regular performance assessment is carried out according to objective criteria.



5.4 Diversity and equal opportunities

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. Furthermore, the US company has set out three key areas for people management: health and safety, community support and the creation of a shared company culture.

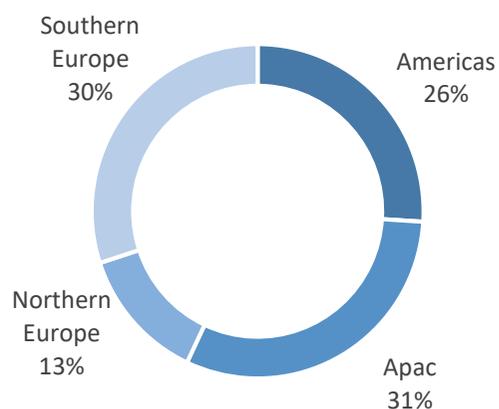
With its **Equal Opportunities Plan**, meanwhile, **Meira** aims to encourage and improve gender equality in order to avoid any type of discrimination through high-level objectives and guidelines.

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.

Finally, newly acquired company **The Bean Alliance** constantly monitors the composition of work teams to ensure a gender balance is maintained, promotes initiative and a broader culture that encourages the presence of females in leadership roles and makes efforts to build a working environment that makes it possible to juggle work and family.

At the end of 2019, the employees of Group companies falling within the scope of this Non-Financial Statement totalled 3,220. The geographic distribution of the workforce in percentage terms is

shown in the chart below. The main distribution in geographic terms is in Europe (43%), followed by Asia and the Americas. [GRI 102-8]. Most employees had a permanent contract (90%) and, among these, the vast majority was working full-time (96%). In 2018 men employee accounted for 62.8% of the workforce, basically unchanged with respect to 2018 (when the percentage was 63.3%). [GRI 405-1]



Employees by type of contract and gender, number³

Permanent contract		2017	2018	2019*	2019
Permanent contract employees	Men	1,711	1,770	1,812	1,866
	Women	943	984	1,010	1,037
Full-time	Men	1,689	1,749	1,784	1,823
	Women	886	916	944	961
Part-time	Men	22	21	28	43
	Women	57	68	66	76
Total permanent contract employees		2,654	2,754	2,822	2,903
Temporary contract		2017	2018	2019*	2019
Total temporary contract employees	Men	212	182	158	158
	Women	156	153	159	159
Full-time	Men	130	129	110	110
	Women	32	60	61	61
Part-time	Men	63	53	48	48
	Women	111	93	98	98
Total temporary contract employees		368	335	317	317
Total employees (temporary and permanent contract)		3,022	3,089	3,139	3,220

³ Data relating to the 2018 staff headcount has been reassessed following an in-depth analysis of the data provided by some companies in the Group in the previous reporting year.

Employees by type of contract, gender and geographical area for 2019, number

Permanent contract		Americas	Asia and Oceania	Northern Europe	Southern Europe
Full-time	Men	515	445	564	299
	Women	239	375	223	124
Part-time	Men	2	17	18	6
	Women	23	12	23	18
Permanent contract employees	Men	517	462	582	305
	Women	262	387	246	142
Total permanent contract employees		779	849	828	447
Temporary contract		2017	2018	2019*	2019
Full-time	Men	35	11	40	24
	Women	6	8	29	18
Part-time	Men	0	47	1	0
	Women	0	95	1	2
Total temporary contract employees	Men	35	58	41	24
	Women	6	103	30	20
Total temporary contract employees		41	161	71	44
Total employees (permanent and temporary)		820	1010	899	491

Percentage of employees by professional category, gender and age group	2017		2018		2019*		2019	
	M	W	M	W	M	W	M	W
Directors	69%	31%	69%	31%	69%	31%	69%	31%
of which <30 years old	0%	0%	0%	0%	0%	4%	0%	3%
of which 30 ≤ x ≤ 50 years old	45%	70%	46%	73%	41%	74%	39%	72%
of which > 50 years old	55%	30%	54%	27%	59%	22%	61%	24%
Managers	62%	38%	59%	41%	59%	41%	59%	41%
of which <30 years old	2%	3%	2%	2%	2%	2%	2%	2%
of which 30 ≤ x ≤ 50 years old	54%	82%	53%	82%	52%	80%	52%	80%
of which > 50 years old	45%	16%	45%	16%	46%	18%	45%	18%
White collar staff	55%	45%	56%	44%	51%	49%	50%	50%
of which <30 years old	10%	16%	16%	18%	13%	20%	13%	20%
of which 30 ≤ x ≤ 50 years old	64%	54%	62%	57%	62%	58%	62%	58%
of which > 50 years old	26%	30%	22%	25%	25%	22%	24%	23%
Blue collar workers	71%	29%	70%	30%	74%	26%	74%	26%
of which <30 years old	19%	34%	20%	31%	20%	27%	21%	27%
of which 30 ≤ x ≤ 50 years old	52%	44%	50%	47%	49%	45%	49%	45%
of which > 50 years old	28%	23%	30%	23%	31%	28%	30%	28%

M: men W: women

5.5 Health and safety in the workplace

Safety in the workplace, employee health and maintenance and improvements to working environments have always been guiding principles for the policies of companies belonging to the Group, particularly as regards 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.

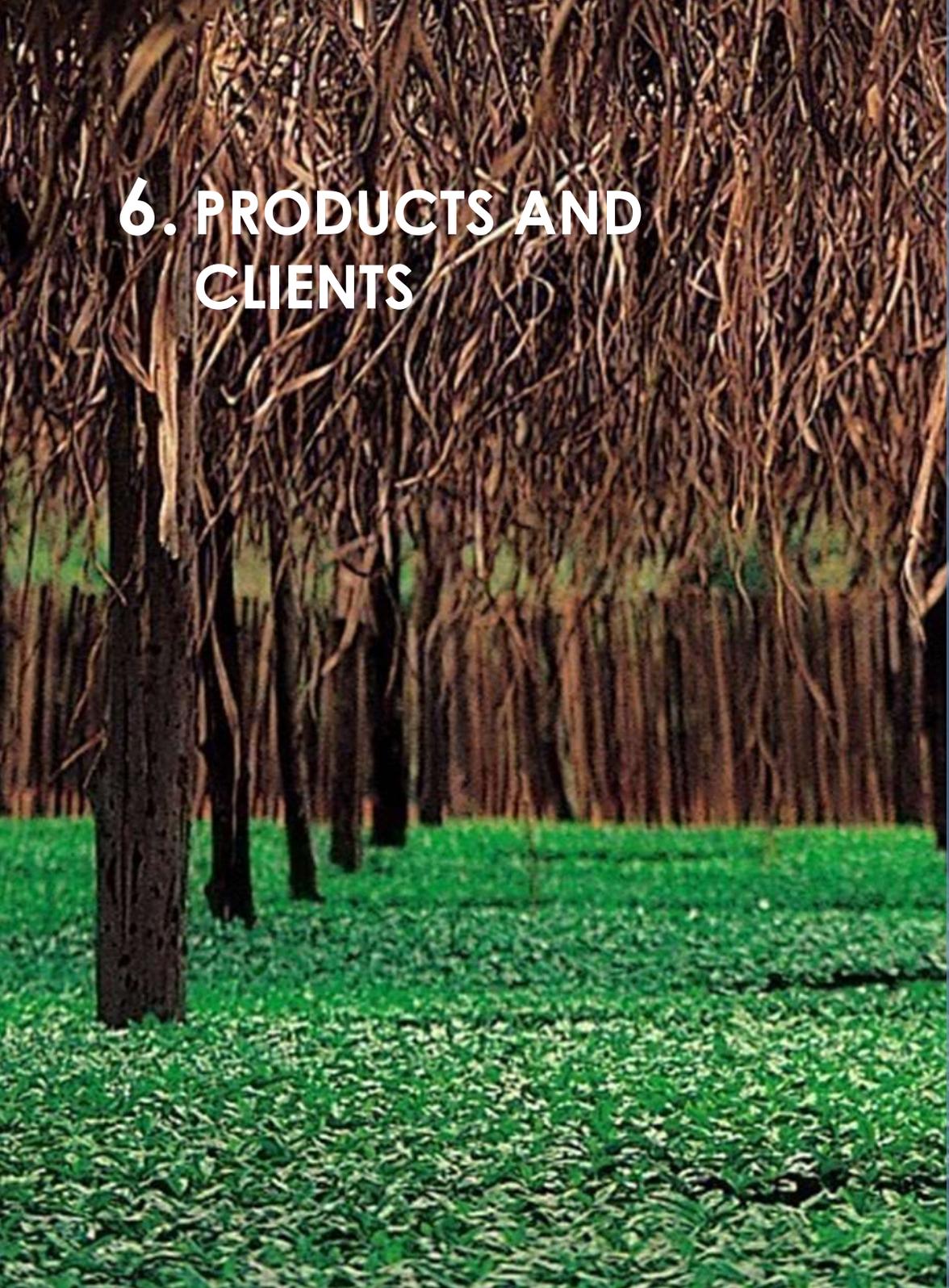
Lastly, **Massimo Zanetti Beverage USA** has developed a formal internal programme for health and safety in the workplace, implementing specific policies and setting up monthly mandatory training sessions, attended by all employees.

As regards employee health and safety, in 2019 the rate of frequency of injuries to employees decreased as a result of improved controls. This resulted in an overall decrease in numbers of injuries of around 31%. The analysis of these data shows that, with regard to the internal production of the Group, there were only minor accidents (e.g. cuts, scratches, sprains) that only in a few cases resulted in lengthy absences from work. During the three-year period, no employee

deaths resulting from work-related injuries were recorded. The rate of frequency of work-related injuries among contractors in 2019 was 12.6. [GRI 403-9]

Work-related injuries

	2017	2018	2019
Employee work-related injuries	74	80	55
of which serious	0	0	3
Hours worked	4,468,727	4,571,058	5,943,821
Rate of frequency of injuries	16.6	17.5	9.3
Rate of frequency of serious injuries	0	0	0.5
	2017	2018	2019
Contractor work-related injuries	3	2	2
of which serious	0	0	0



6. PRODUCTS AND CLIENTS

The Massimo Zanetti Beverage Group recognises the responsibility it has to constantly improve processes and products, in order to guarantee the highest standards and to exceed client expectations while at the same time respecting the environment and future generations.

The mission of MZB, as set out in the Code of Ethics, signed by all companies in the Group, is to **satisfy market needs by providing quality products and services while upholding the ethical values of integrity, honest, transparency and competition** and committing to doing so in full compliance with national and international regulations and legislation.

Ensuring the quality of products is crucial when it comes to being competitive in the market, particularly in the food sector. Quality can be defined as a dynamic concept which brings together a range of different factors such as food safety, the traceability of raw materials and products, communication with clients and the ongoing improvement of internal company processes.

Product quality across all markets is the fundamental principle behind everything MZBG does. For the Group, quality isn't just about providing products that adhere to the international standards - it's also about optimising internal processes, integrating the customer perspective into every business activity and 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.

MZB's commitments are implemented on a local level by the individual companies belonging to the Group through specific quality and food safety policies, which enable us to adapt to specific market requirements. More specifically, in the bigger companies, our quality and food safety policies are implemented through procedures set out as part of management systems certified according to international protocols.

In this context, the quality management activities of Massimo Zanetti Beverage Group focus on **protecting the quality and safety of the product** throughout the value chain, **listening and communicating**

with customers and consumers and ongoing work in product and process innovation.

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. Special departments 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 an integral part of the Group's quality approach, with the aim of developing products that use more and more socially and environmentally sustainable materials and processes. Every year, market trends prompt Group companies to launch new products to meet the requirements and tastes of even the most demanding consumers, according to the different characteristics of the local markets, in accordance with quality, safety and sustainability requirements.

6.1 Client focus

Constant engagement with stakeholders by every company in the Group is a key factor in achieving objectives designed to ensure client and customer satisfaction and allow us to exceed their expectations. 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.

In order to guarantee responsible and transparent communication towards our stakeholders, we use a number of channels to provide exhaustive and clear commercial information. Companies involved in production activities take particular care over the information shown on packaging and in terms of ensuring compliance with European labelling legislation. 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.

RESPONSIBLE AND ACCURATE COMMUNICATION: THE SUSTAINABLE CHOICE FOR CLIENTS OF THE BEAN ALLIANCE GROUP

The aim of the Bean Alliance Group is to raise consumer awareness regarding the information shown on packaging and assist them in making more responsible purchasing decisions.

To this end, the Bean Alliance Group works to provide clear and complete information on the environmental, social and economic impacts of its products, partly through awareness campaigns regarding organic products (including sponsorship of Australian Organic Awareness Month) and ongoing investment in the media.

The Australian company also strives to provide sustainability information on the packaging of the Group's products that is easily identifiable and recognisable for consumers. This includes the "Bud" logo for organic products, which can only be used if all ingredients are *Australian Certified Organic*.



Finally, the Bean Alliance Group also maintains a constant dialogue with its clients and cafés, offering certified organic products at competitive prices, such as the **Bean Ground & Drunk** coffee, which - among other plaudits - was honoured at the Australian Organic Industry Awards in 2019.

As regards commercial communication, during 2019 there were no warnings relating to product non-compliance within the Group, apart from one warning regarding the labelling of a product which was immediately resolved by the Group company involved. [GRI 417-2] [GRI 417-3]

Supported by their quality management systems and policies, the 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 indicators to measure customer complaint trends and improvement initiatives defined within targeted annual plans.

In terms of client and customer satisfaction monitoring in the post-sales phase, companies adopt different approaches based on the specific nature of the markets served. **Segafredo Zanetti France, Boncafé International, Kauai Coffee and Distribuidora Cafè Montaña**, for example, undertake regular client satisfaction surveys using questionnaires. The results are 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.

In 2019, the SZ Poland subsidiary ran an internal study and an external analysis via Net Promoter Score (NPS). NPS is a management tool used to assess the level of company-client loyalty, measuring the likelihood of clients to generate positive word of mouth.

Internally, SZ Poland used the tool to assess the loyalty of commercial representatives and their level of collaboration with other departments (e.g. administration, technical assistance, marketing and logistics). NPS was also used to **assess client satisfaction** with the

services offered by commercial representatives, with the technical assistance and with the logistics service.

In addition to these activities, **Segafredo Zanetti Poland** - like other companies in the Group (e.g. **SZ Italia**) - has introduced initiatives designed to promote a culture of coffee and quality among its clients and consumers and to improve the overall experience associated with the world of coffee. For example, the **Coffee Art Masters** webpage allows visitors to register for and participate in online barista courses.



Also in 2019, **Segafredo Zanetti Poland** launched the **Home Barista** programme, a specialist three-hour training course for consumers who wish to expand their knowledge of how to correctly prepare coffee at home, using premium products from the **Selezione** line.



6.2 Research and development

The Massimo Zanetti Beverage Group is always working to promote a culture of innovation and research into new products within its individual companies. For the Group, innovation is about focusing on new market requirements, particularly as regards sustainable development and responsible business activities. Therefore, as an international player in the coffee industry, the Group's aim - via the Quality Policy - is to constantly improve its products, services and processes using technology and by developing innovative solutions, while at the same time protecting the environment and social development.

Unlike activities focused on client satisfaction, which are mainly managed on a local level by individual companies, research and developments projects - and in particular product innovation projects - can be managed centrally by the parent company, in collaboration with the relevant figures from Group companies and in partnership with external bodies such as suppliers and universities.

In general, for the various companies in the Group, the innovation process begins with market analysis and research into new consumer trends and needs, in addition to the requirement to adapt to new regulations relating to the use of more sustainable materials.

At **Massimo Zanetti Beverage USA**, as at other companies in the Group, the innovation process is initiated by the marketing and sales departments, which start by undertaking market research and studying key trends in order to identify new products capable of meeting the expectations of current and potential future clients. In 2019, the American company developed around 10 new products. Sometimes, requests for innovative solutions are made to Group

companies by clients directly. For example, US subsidiary **Massimo Zanetti Beverage USA** receives innovation requests from large retail clients - these are then handled directly by the research and development department. Innovations are monitored through the creation of a performance matrix and measured against specific targets.

Other companies in the Group, such as **Meira**, have set performance indicators to monitor the number of projects which successfully pass the multiple approval phases and get to the point where they are deemed to be true innovation projects. In 2019, the Finnish company developed around 50 new projects.

The Group also created a significant number of sustainable new products equal to around 40% of the total new products created in 2019. This percentage includes the creation of certified products (e.g. RFA-certified green coffee, Fair Trade, UTZ).

One of the main focuses of the Group's innovation strategy is to create a new type of sustainable packaging which only uses materials that are fully recyclable.

In the same way, the ongoing search for new aromas and blends saw **Segafredo Zanetti Italia** unveil its new **Segafredo** range of products in 2019, featuring **brand-new packaging**.

Our **Le Origini** range brings together coffees for moka pots which offer flavours and aromas which evoke the sounds and the warm colours of the countries from which the coffee originates. In 2019, the Peru, Costa Rica and Brazil blends were joined by blends from **Ethiopia, India - with Rainforest certification - and Mexico**, made using coffee produced through **organic agricultural practices**.

“LE ORIGINI”



The new **Supremo** blend from the “**Le Classiche**” range by **Segafredo Zanetti Italia** is made from 100% Arabica coffee from the best **organic plantations** in Central America and Africa with **Rainforest certification**.

“LE CLASSICHE”



During 2019, as well as adding two new blends (Nicola Alma India and Nicola Alma Peru) to its line of capsules compatible with the leading espresso machines, Massimo Zanetti Iberia introduced its first flavoured **Nicola** capsules, which are currently available in caramel or chocolate.



The implementation of the innovative **LEVA CLASS®** technology, patented by **La San Marco** for lever machines, has enabled us to provide users with an ultra-modern, elegantly designed machine which guarantees a superior espresso, in compliance with the main international standards. The lever-extraction system - favoured by coffee purists and professional baristas - makes it possible to reduce energy consumption by electronically setting the energy provided to the resistance, thus keeping the temperature constant.

La San Marco's aim for 2020 is to launch a new automatic coffee machine which allows baristas to programme all the various parameters which have an impact on the steam and coffee emitted.

This technology will further improve the level of control over coffee quality and monitoring of energy consumption.

THE INNOVATIVE COFFEE MACHINE THAT IS CHANGING THE FACE OF THE CAFÉ



6.3 Quality, safety and product certifications

Control over food safety and quality applies to all activities included in the production process: from the plantations to the arrival of green coffee in our facilities right through to the sale of the finished product. Even before the production companies receive a batch of green coffee from their suppliers, teams specialising in monitoring compliance with quality standards and checking the physical and organoleptic characteristics of the raw ingredients undertake an initial check on a sample of green coffee. The practice of “coffee cupping” reproduces the various phases of the production process in a lab, enabling staff to test the finished product before the whole batch has been produced and sold. Specialists use tools which enable them to immediately check the aromas and therefore assess the coffee’s characteristics, particularly as regards the body (mouth consistency or sensation, such as oiliness), the sweetness, the acidity, the taste and the after taste.

Once the batch of green coffee has been approved, an initial documentation assessment is carried out so that the raw ingredients can be formally accepted. This is accompanied by a laboratory analysis designed to check the coffee’s characteristics and properties. 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.



The 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, 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 introduced the “**Quality Assurance**” role. This person is responsible for supervising and optimising all company processes relating to product and process quality, with the aim of standardising these through the implementation of a **Quality Programme** shared by all production sites.

In order to guarantee the safety of its products and adhere to the highest quality standards, **Segafredo Zanetti Italia undertakes additional checks - on top of those required by law -** on raw coffee before it goes into production, as well as subsequent sampling activities during the roasting phase. The aim of this is to check that the finished product adheres to quality and safety requirements. Furthermore, the creation of ad hoc management systems for the Groups' production facilities allows individual companies - such as **SZ Italia** - to **monitor every phase of coffee processing, thus guaranteeing traceability.**



Certification standards and certified companies		
IFS Food Certificate	Unified standard for certifying the safety and quality of food products	<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. - Segafredo Zanetti Poland sp. z o.o
British Retail Consortium	Global standard for food and agriculture safety	<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 and agriculture safety standard for production processes throughout the supply chain	<ul style="list-style-type: none"> - Distribuidora Cafè Montaña S.A. - Tiktak/Segafredo Zanetti Nederland BV - Massimo Zanetti Beverage Vietnam Company Ltd
Safe Quality Food	Food sector safety standard throughout 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 safety 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 Company LLC - Boncafé (Thailand) Ltd - The Bean Alliance
Good manufacturing practice	Certification guaranteeing 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	UK certification guaranteeing compliance of products with food safety regulations	<ul style="list-style-type: none"> - Brodie Melrose Drysdale & CO Ltd.

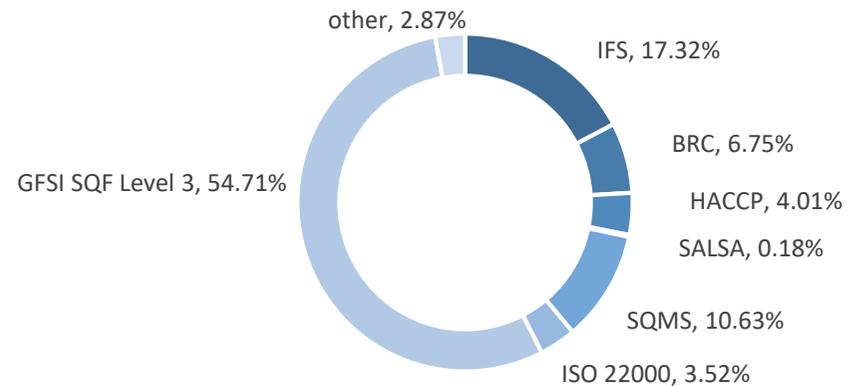
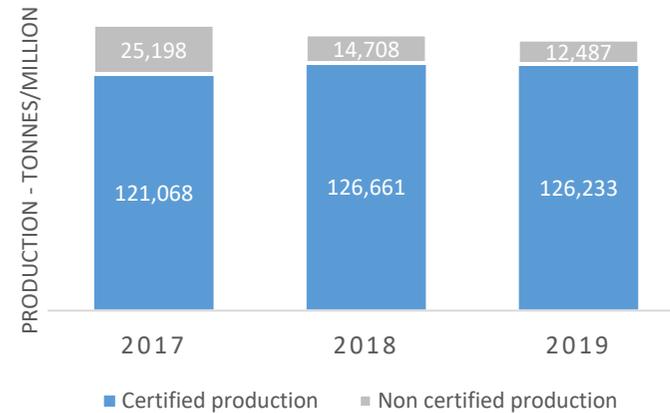
The MZB Group's food safety certifications

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 previous table sets out the main voluntary certifications adopted by the various companies belonging to the Group.

Kauai Coffee Company has also decided to voluntarily sign up to Non-GMO Project Verified, a North American non-profit whose aim is to provide consumers with safe products that are 100% traceable and do not use any genetically modified ingredients. In 2019, external auditors specialising in this field analysed and verified the coffee grown by Kauai Coffee LLC. The Hawaiian company was therefore allowed to use the logo certifying that no genetic treatment/alternations are used in the coffee grown and harvested by Kauai.

In 2019, 91% of the coffee of the Massimo Zanetti Beverage Group was produced at sites certified according to one of the food safety standards listed above, a similar level to the 2018 figure. Certified production⁴ is subdivided between the different standards shown in the chart below. [GRI FP5]

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



⁴ 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.

6.4 The Group quality policy

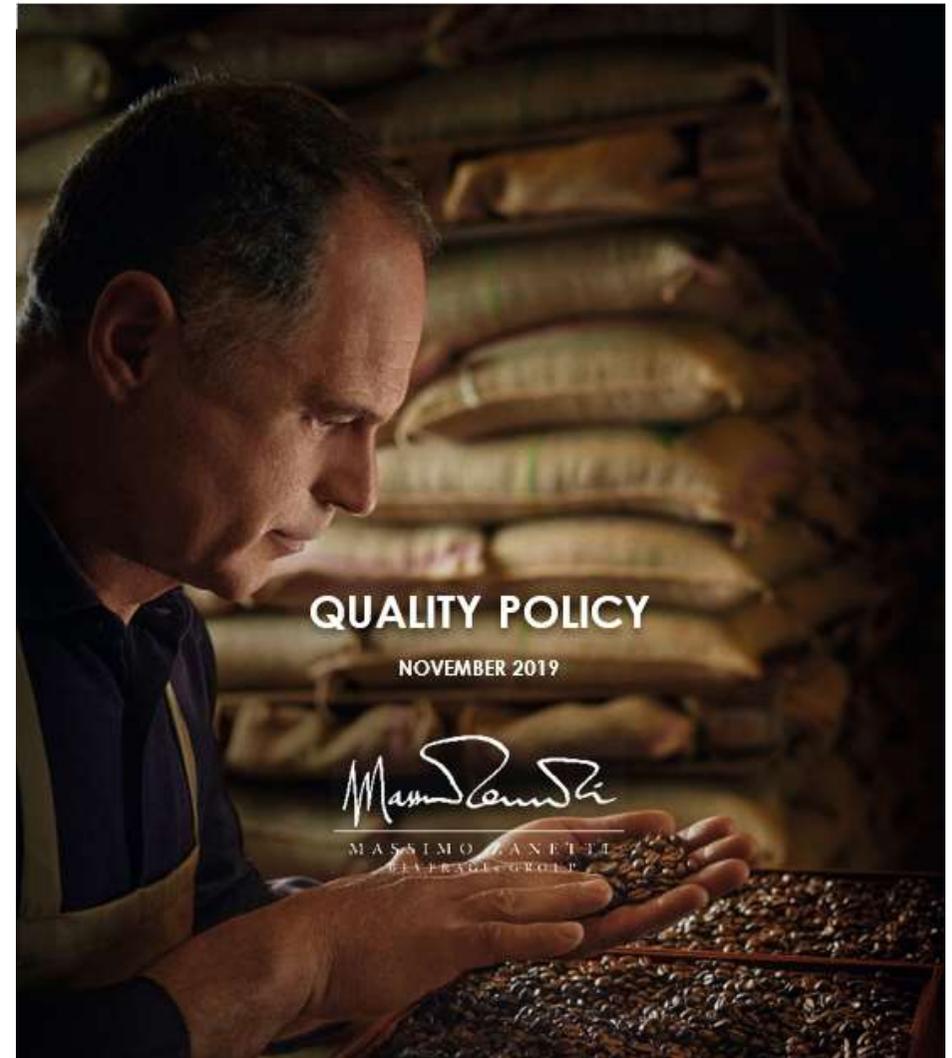
During 2019, the five biggest companies in the Group in terms of economic size and impacts generated - Massimo Zanetti Beverage USA, Segafredo Zanetti S.A France, Segafredo Zanetti Italia, Meira and Boncafé International - came together to explore the issues of quality, food safety, traceability, product and process innovation and client and consumer satisfaction.

For each of these areas, the Group produced guidelines with the aim of pursuing shared objectives and standardising company practices by sharing existing best practices, while at the same time acknowledging the intricacies of each individual company in the Group.

The Group's **Quality Policy** has the objective of formalising the Massimo Zanetti Beverage Group's commitment to:

- Guaranteeing quality, safe products
- Adopting business practices designed to increase client satisfaction
- Promoting innovative solutions

Moreover, the Quality Policy aims to regulate aspects such as **innovation, food certification and traceability** and the **importance of consumers** on a Group-wide basis.



INNOVATION

- Innovating to anticipate consumer expectations and improve internal processes
- Innovating to guarantee sustainable growth

FOOD CERTIFICATIONS AND TRACEABILITY

- Guaranteeing product safety across all Group activities and throughout the supply chain
- Monitoring, measuring and improving company processes
- Ensuring elevated quality and coffee traceability standards

IMPORTANCE OF CONSUMERS

- Constantly engaging with clients and consumers
- Exceeding consumer expectations

Those figures responsible for quality management at the individual companies, and indeed all Group employees, must monitor and guarantee the implementation of these criteria and the pursuit of these objectives. Finally, the Quality Policy states that each company in the MZB Group must undertake analyses and checks throughout the supply chain, in order to ensure that obligatory requirements are respected, via site visits, self-assessment questionnaires and/or external audits.

An aerial photograph of a vast vineyard. The rows of grapevines are meticulously organized in a grid pattern, with reddish-brown soil visible between the plants. In the upper portion of the image, a large, calm reservoir or lake is visible, with a small island or peninsula in the distance. The overall scene is a well-maintained agricultural landscape.

7. THE VALUE CHAIN

The Massimo Zanetti Beverage Group believes in promoting a culture of sustainability through an open dialogue with its stakeholders, in order to ensure continuous, shared improvement.

7.1 Responsible procurement and traceability

The Massimo Zanetti Beverage Group's mission has always been "to make consumers all over the world love quality coffee, ensuring that sustainable values are fully protected".

As such, the Group's commitment to developing trusted relationships with its suppliers, with whom it shares the same level of responsibility for achieving increasingly sustainable targets, is of fundamental importance.

The importance of giving visibility to the coffee journey - from bean to cup - has made it increasingly necessary to adopt systems which ensure **complete traceability of raw materials** throughout the supply chain. As well as increasing trust among consumers, by guaranteeing quality and food safety, these systems also enable us to optimise and increase the efficiency of the activities carried out by various players throughout the supply chain, as well as improving communication and the quality of information.

Green coffee certification, according to the various internationally recognised sustainability standards, is an illustration of control over sustainability matters throughout the entire supply chain.



Certifications and certified companies

	<p>Organic - Certification standard for raw agricultural materials which guarantees that they come from supply chains where the principles of organic cultivation are respected. For companies operating in Europe, the regulations that formally set out the characteristics of organic cultivation are defined by EU legislation, while in USA this is done by the National Organic Programme (NOP).</p>	<ul style="list-style-type: none"> - Massimo Zanetti Beverage USA - Meira - Tiktak - Segafredo Zanetti Nederland - Segafredo Zanetti Poland - Distribuidora Cafè Montaña - Segafredo Zanetti S.p.A. - Brulerie des Cafés Corsica - The Bean Alliance
	<p>Fairtrade - This certification guarantees that products bearing the Fairtrade logo have been produced in respect of workers' rights in Asia, Africa and Latin America and that they have been purchased according to fair trade criteria.</p>	<ul style="list-style-type: none"> - Distribuidora Cafè Montaña - Massimo Zanetti Beverage USA - Brodie Melrose Drysdale - Meira - Tiktak - Segafredo Zanetti Nederland - Kauai Coffee Company - The Bean Alliance
	<p>UTZ - This standard is based on principles such as transparent commercial practices, traceability of raw materials and compliance with the agreements of the International Labour Organisation (ILO).</p>	<ul style="list-style-type: none"> - Distribuidora Cafè Montaña - Massimo Zanetti Beverage USA - Segafredo Zanetti Brazil - Boncafé Group - Meira
	<p>Rainforest Alliance - The standard is based on nine principles: protection of local flora and fauna, protection of eco-systems, protection of the soil, protection of water resources, equal treatment for works and good working conditions, good relationships within communities, integrated management of waste and pesticides, monitoring and peacebuilding.</p>	<ul style="list-style-type: none"> - Distribuidora Cafè Montaña - Massimo Zanetti Beverage USA - Segafredo Zanetti Brazil - Brodie Melrose Drysdale - Tiktak / Segafredo Zanetti Nederland - Segafredo Zanetti France - Segafredo Zanetti S.p.A. - Boncafé Group - Kauai Coffee Company - Segafredo Zanetti Poland sp. z o.o

Meira is the leading company in the Group in terms of purchases of certified coffee. Last year, the company formally adopted a plan for the purchase of certified green coffee, setting specific growth targets for the next few years, **with the aim of purchasing 100% green coffee by 2022.**

In 2019, Meira comfortably exceeded its 40% certified green coffee target, reaching 55%. Through this target, Meira contributes - partly by signing up to international events in the sector - to the achievement of international coffee sustainability targets. Procurement of certified green coffee enabled the Finnish subsidiary to launch new Fairtrade, UTZ and Rainforest certified products in 2019.



A number of companies belonging to the Group have chosen to purchase certified coffee for their production activities. One of these is Segafredo Zanetti France, whose new coffee bean product “**Premium d’Arôme certified organic**” was recently named **2020 Product of the Year** by French consumers.



TIK TAK SZ NL'S NEW SUSTAINABLE PRODUCT WITH RFA AND ORGANIC CERTIFICATION

During 2019, the Dutch subsidiary launched a selection of **Rainforest Alliance and Organic** certified coffee products. The new **Climate**, **Segafredo Selezione Planet** (both RFA certified) and **Organic** products are therefore contributing to the increase in the amount of certified coffee produced by the Group.



The Group's range of sustainable and certified products also expanded in 2019 thanks to the acquisition of The Bean Alliance and its brands **Bean Ground & Drunk**, the first coffee in Australia to gain Australian Certified Organic status, and **Oxfam Fair**.

In 2019, The Bean Alliance and Oxfam Fair signed an agreement to continue the production of the certified organic and Fairtrade coffee and chocolate belonging to the Oxfam Fair brand in Australia. Oxfam Fair's products help communities working on coffee plantations and some of the most disadvantaged populations in Australia and across the world.

Funds raised through sales of coffee and chocolate are invested in aid programmes designed to fight poverty. Moreover, Oxfam Fair products guarantee agricultural workers a fair, stable price for their raw materials and include production bonuses, designed to give communities the chance to build a better future for themselves.

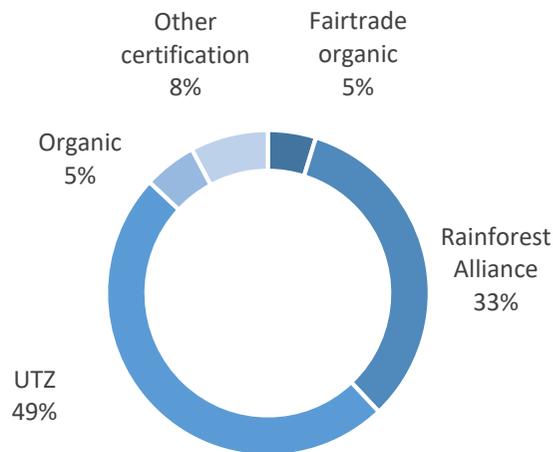
CHANGING THE WORLD ONE CUP OF COFFEE AT A TIME



Same coffee. Same taste. Same impact.

In 2019, the purchases of coffee certified according to the above-mentioned international sustainability standards were 14.7% of the total, a 56% increase on the 2018 figure. [GRI FP2]

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



Over the years, with the aim of improving control over the supply chain, the companies belonging to the Group have implemented systems for the selection, assessment and monitoring of suppliers based on economic criteria, the quality of products purchased and the punctuality of services provided. Moreover, depending on the specific characteristics of individual markets, suppliers are also assessed according to environmental criteria, raw material

traceability and the protection of human rights throughout the supply chain.

In addition to an assessment of 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. Specifically, 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.

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.

Similarly, **Segafredo Zanetti Italia** has issued procedures for the selection of its suppliers and the assessment of their performance. Multiple parameters are assessed as part of regular supplier assessment cycles, including long-term reliability, compliance with delivery timeframes and any non-compliance identified. The traceability of the products supplied is also assessed.

To ensure ongoing improvement, **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. Finally, Finnish subsidiary Meira has also developed guidelines relating to procurement practices, which articulate 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.

In accordance with European regulations⁵ on traceability and food safety, **all of the Group's European roasting facilities** have implemented an effective traceability system of raw materials and packaging materials. This is regularly verified internally and by the various certification bodies during audits.

Tests designed to verify the capacity of Group companies to access information on products sold throughout the supply chain have shown that roasting facilities can assess the required data in an adequate timeframe to guarantee the accuracy and availability of information, confirming the Group's solid controls in this area.

⁵ Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food

MZB USA also meets GFSI requirements, guaranteeing product traceability throughout the supply chain, to the initial coffee cleaning phases.

With regard to the assessment of suppliers against social factors, **Massimo Zanetti Beverage USA** requires suppliers of green coffee in developing countries to show their "**Child Labor Certification**", which states that the suppliers adhere to national and international standards around 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.

When signing agreements with its suppliers, **MZBG and Segafredo Zanetti Italia** require suppliers to accept the Code of Ethics as an integral part of any commercial relationship between the parties and expect that all suppliers and sub-suppliers adhere to the standards and principles set out in the Code.

Segafredo Zanetti France has introduced a procedure for identification and traceability throughout the supply chain which involves recording data using a special piece of software named "**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 (UNG), the 8 fundamental Conventions of the International Labour Organisation

law, establishing the European Food Safety Authority and laying down procedures in matters of food safety.

(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.

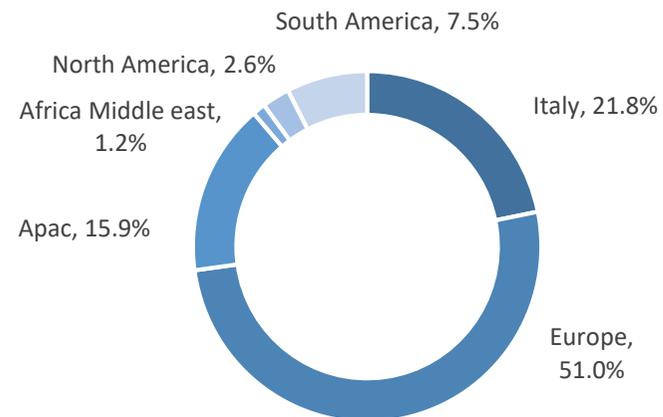
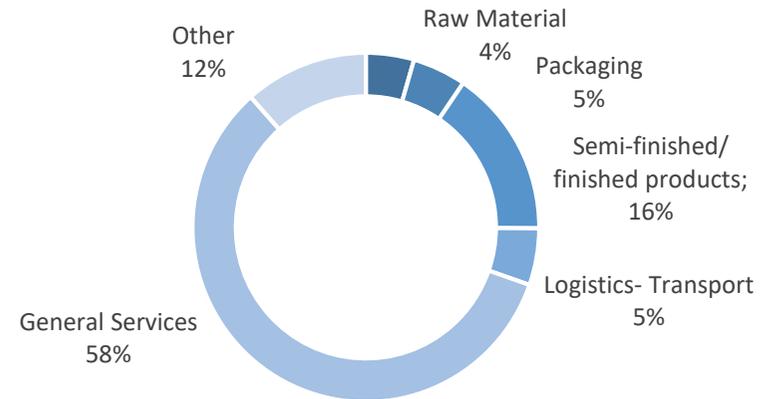
SUPPLIER ASSESSMENT AND MONITORING AT DISTRIBUIDORA CAFÉ MONTAÑA: CURRENT PRACTICES AND FUTURE OBJECTIVES

Distribuidora Café Montaña has introduced a specific procedure for the assessment and monitoring of its suppliers which establishes guidelines for evaluating and approving suppliers of products and services which have an impact on the Good Manufacturing Practices (GMP) quality and safety standards.

Four assessments on human rights were conducted among companies in the Group in Italy, USA and the Kauai plantations during 2019. [GRI 412-1]

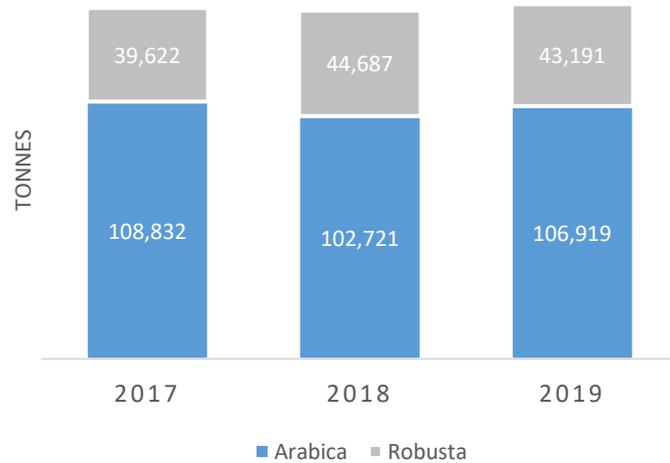
Within this context, 2019 saw MZB Group companies procure goods or services from over 5,000 suppliers. The new acquisition in Australia led to an increase of around 300 suppliers. General services account for half of total suppliers (58%), followed by suppliers of finished and semi-finished products (16%), suppliers of packaging (5%) and suppliers of coffee and other raw food materials (4%). Most suppliers are European (51%). [GRI102-9]

Suppliers, according to product type and origin, 2019



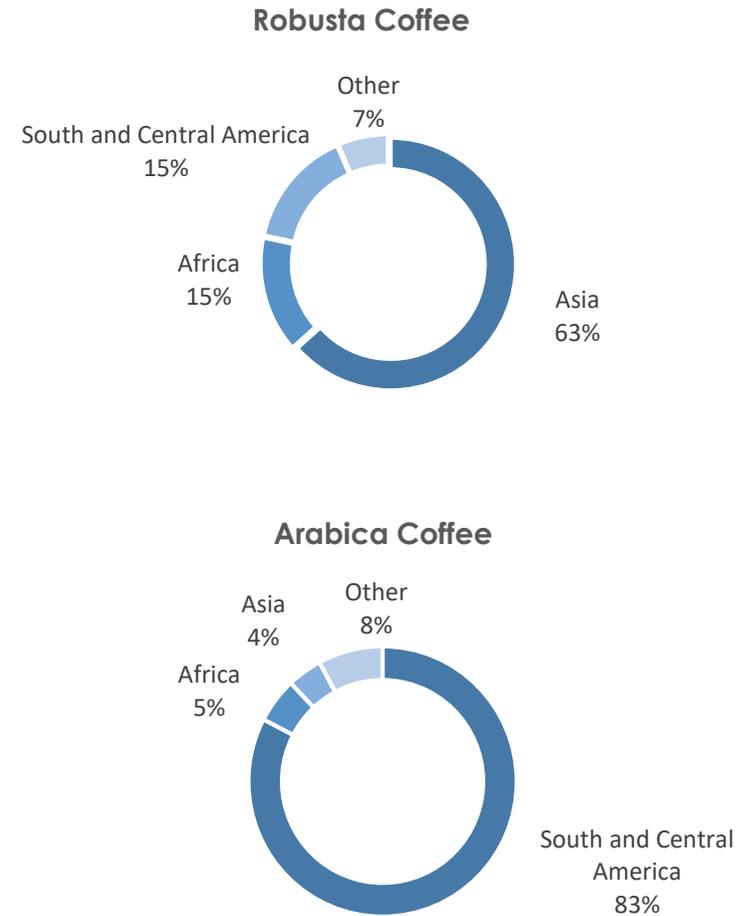
With specific reference to the supply of green coffee, between 2018 and 2019 its level of purchases slightly increased, from 147,408 to 150,110 tonnes (148,627 tonnes in 2019 on a like-for-like basis).

An increase in the proportion of Arabica coffee purchased was seen in 2019, rising from 69.6% in 2018 to 71.2% in 2019, and originating from Central and South America, in particular Brazil, Colombia and Honduras. 63% of Robusta quality coffee is purchased from Asian countries, particularly from Indonesia and Vietnam⁶.



Coffee supplied, according to quality and origin, in tonnes

⁶ 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.

7.2 The Group's responsible procurement policy

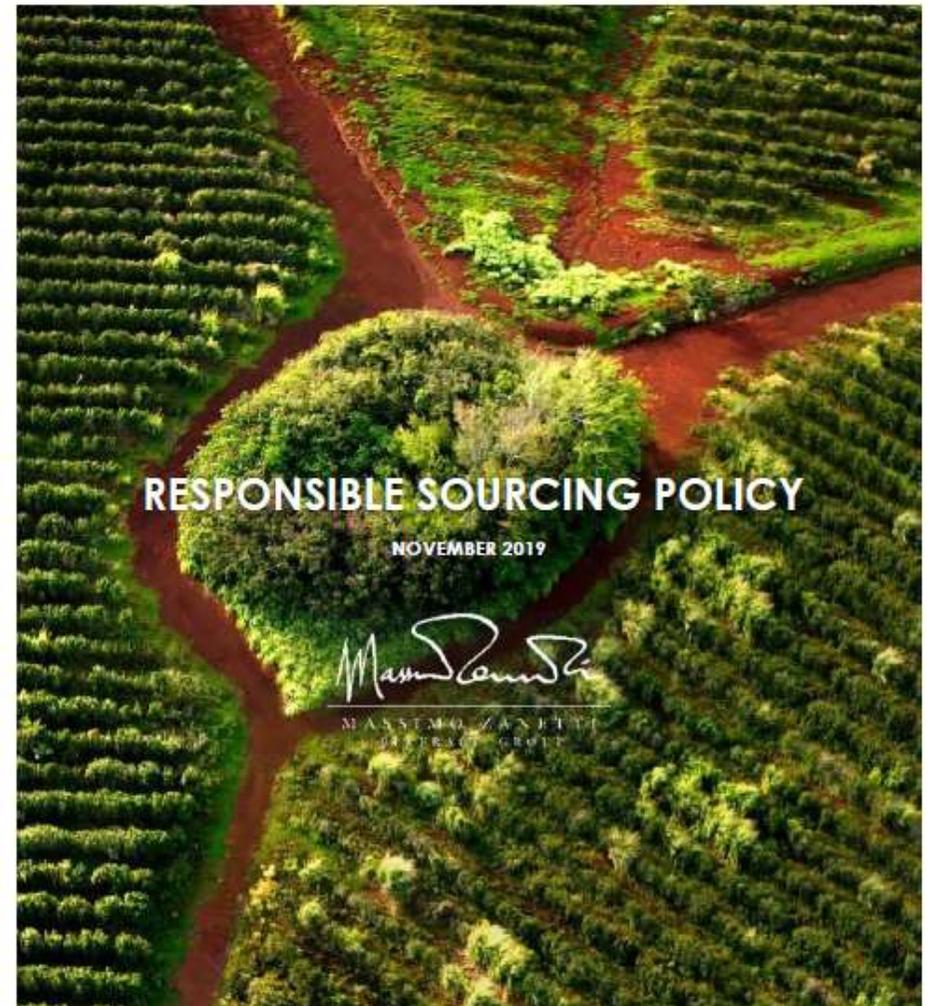
During 2019, thanks to the hard work and collaboration of the main companies in the Group, Massimo Zanetti Beverage Group published its **Responsible Procurement Policy** - a declaration of the Group's commitment towards more ethical, more sustainable coffee supply chains. In recent months, the policy has been shared with all subsidiary companies and major suppliers.

By setting obligatory requirements, MZB aims to share the Group's values with all suppliers and throughout the supply chain: **promotion of ethical behaviour and corporate integrity, respect for human rights, conservation of fragile ecosystems where green coffee is sourced and preservation of natural resources.**

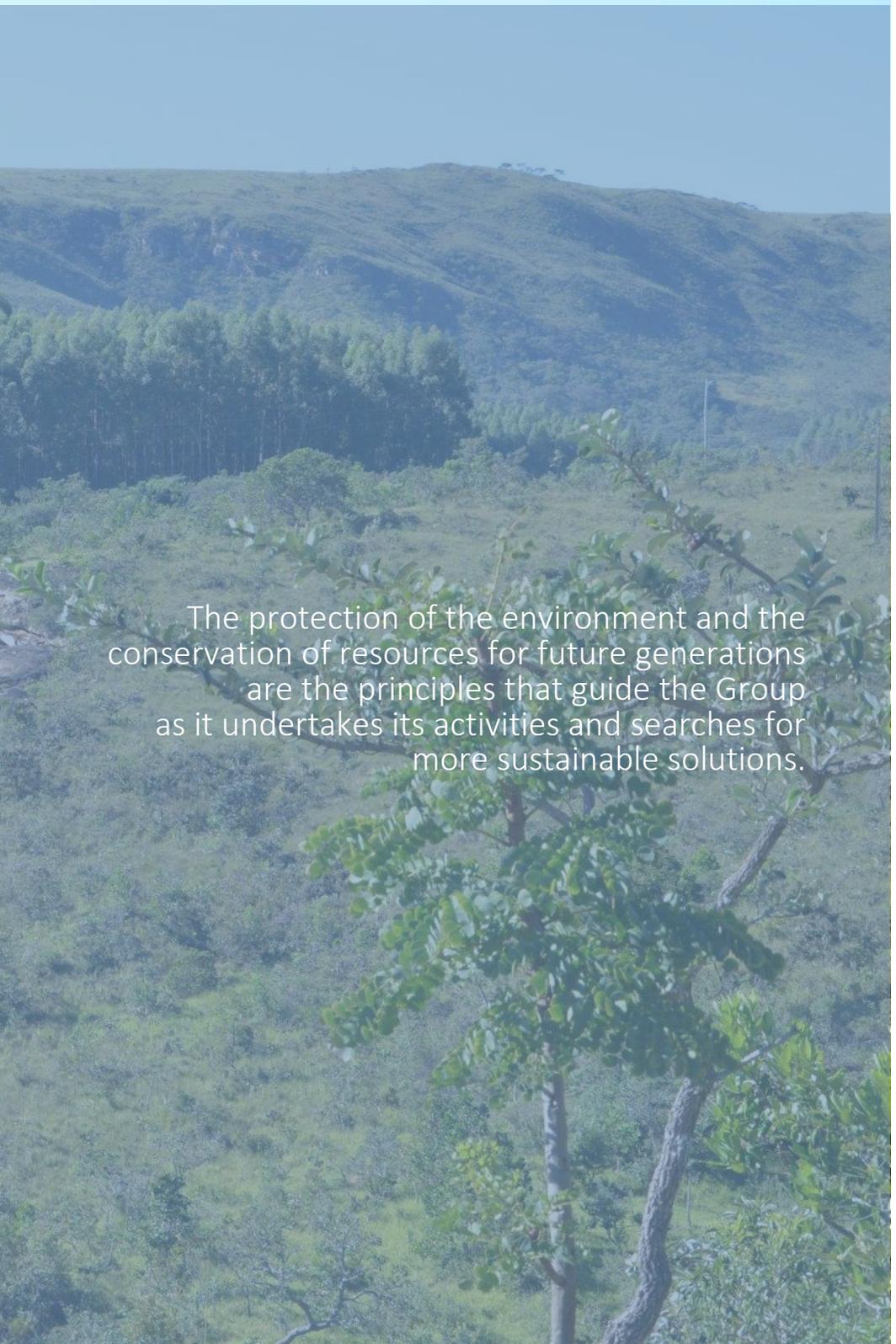
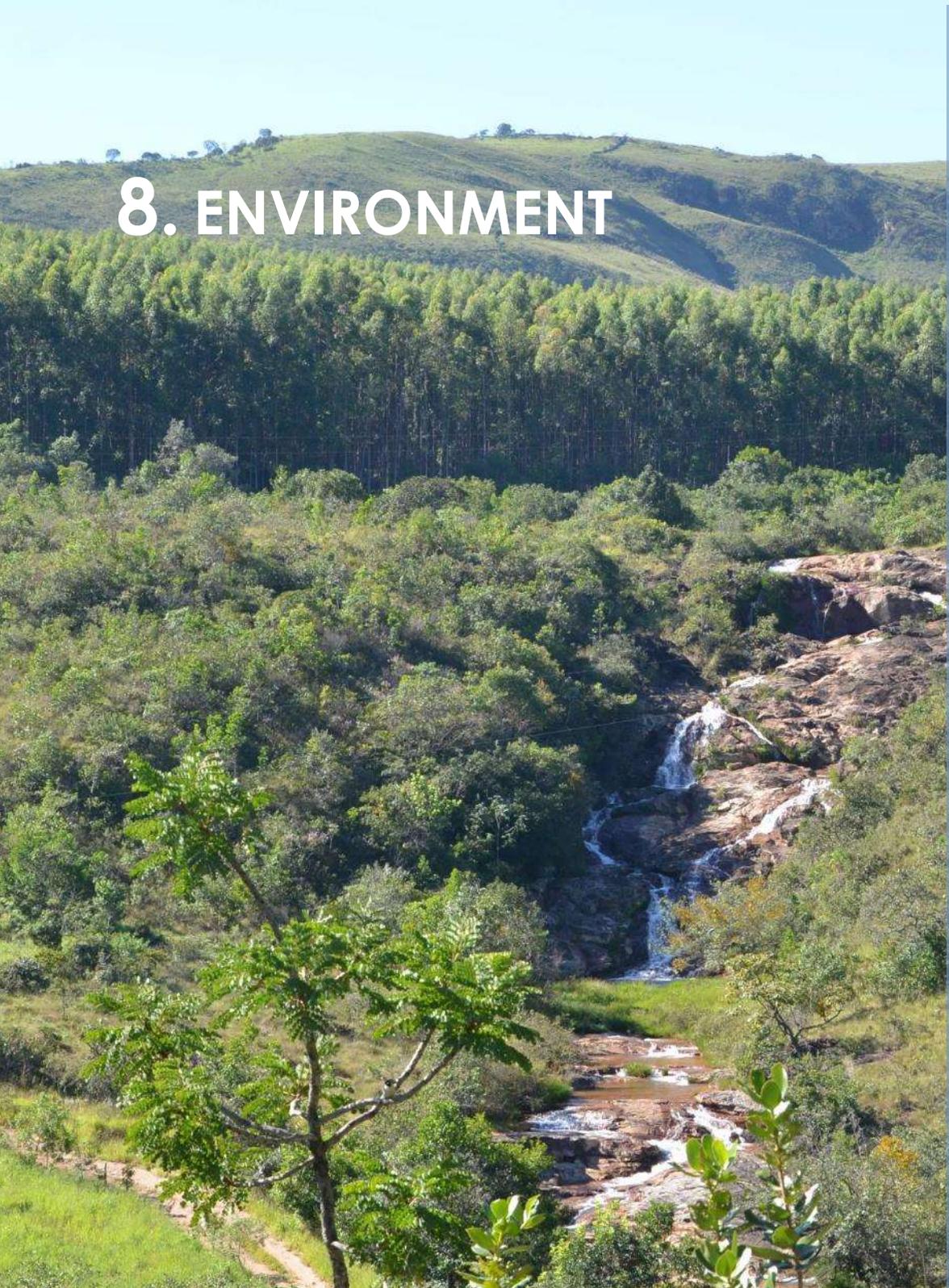
All companies in the MZB Group have committed to sharing the Responsible Procurement Policy with their suppliers, particularly suppliers of raw materials and packaging. In turn, suppliers are required to accept and adhere to the obligatory requirements set out in the policy and to check that they are being implemented at every stage of the supply chain.

In order to guarantee compliance with obligatory requirements, analyses and assessments of the supply chain will be undertaken in the form of site visits, self-assessment questionnaires and/or audits.

The Responsible Procurement Policy can be viewed in full on the Massimo Zanetti Beverage Group website.



8. ENVIRONMENT



The protection of the environment and the conservation of resources for future generations are the principles that guide the Group as it undertakes its activities and searches for more sustainable solutions.

Environmental responsibility is now seen as a fundamental requirement for any company operating on the market, due to growing pressure from public opinion and international legislative developments.

Climate change, water resources and energy are among the biggest factors to consider when it comes to local and global environmental management.

According to the "Global Warming of 1.5°C" report by IPCC⁷, 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.

At the same time, in terms of water resources, over two billion people live in countries subject to elevated rates of water stress, while around four billion people are required to deal with serious episodes of water scarcity for at least one month every year. The increase in demand will therefore result in ongoing rises in levels of water stress, exacerbated by the intensification of the effects of climate change (UN WATER).⁸

Within this context, the new growth strategy announced by the EU at the end of 2019 includes a push towards better and more efficient use of resources by the EU and the Member States, designed to eliminate net greenhouse gas emissions by 2050 and dissociate, as far as possible, economic growth from the use of resources.⁹

⁷ 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.

At the same time, the publication of the Circular Economy Package in April 2018 - a collection of measures and objectives designed to help "close the circle" in Europe - and the European Strategy for Plastics set out new recycling and reuse objectives for plastic materials used for packaging by 2030.

In order to tackle these global issues, the Group has introduced an Environmental Policy, which is set out in Chapter 9.3, "The Group's environmental policy". This sets out the Group's commitment towards protecting the most at-risk environmental factors, promoting decarbonisation and the efficient management of natural resources.

During 2019, the operative management of environmental aspects continued to be handled by individual Group companies.

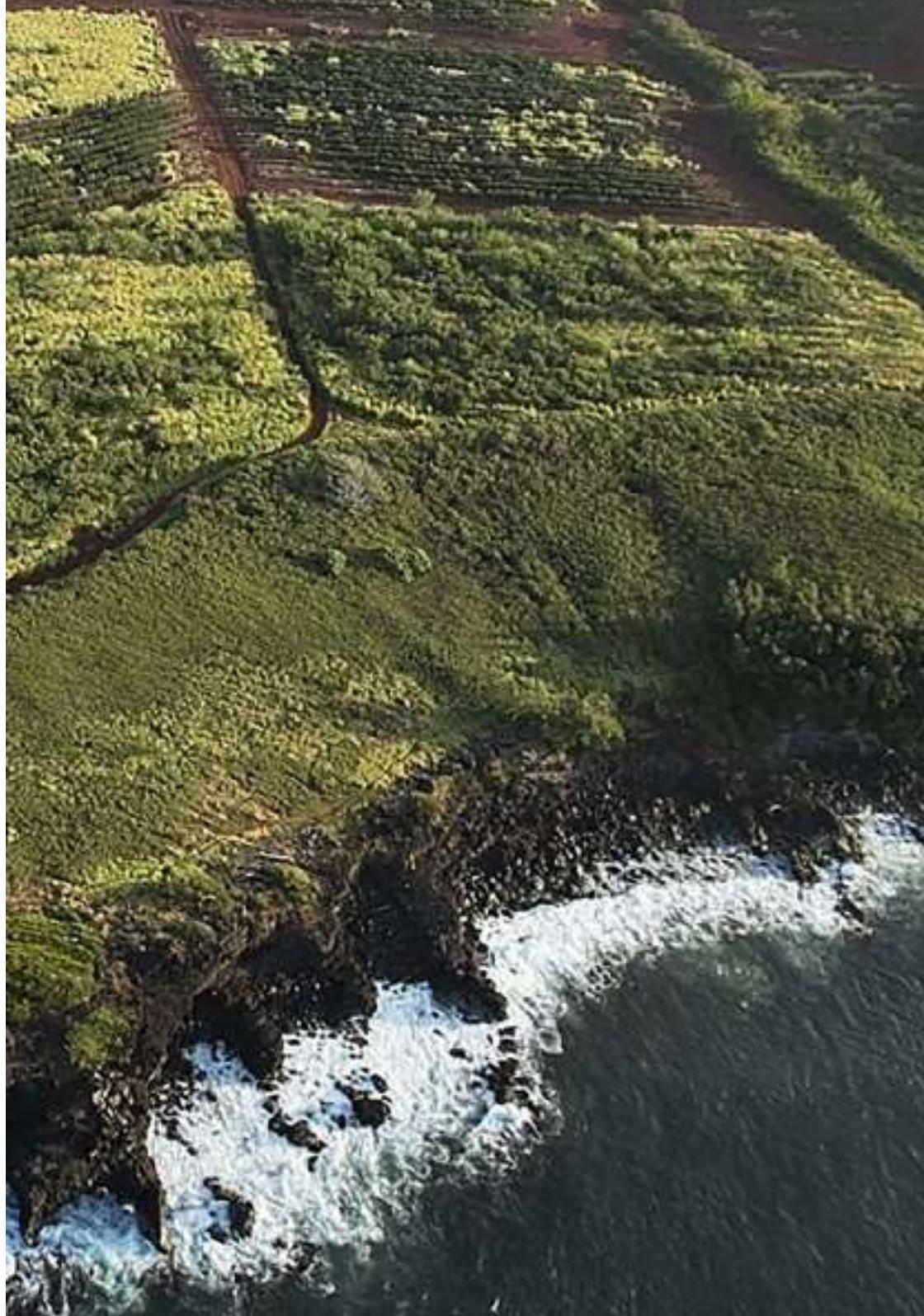
Six production companies (Segafredo Zanetti Italia, La San Marco, Segafredo Zanetti Poland, Massimo Zanetti Beverage Vietnam, Boncafé Thailand and Meira) have adopted a **structured environmental management system**.

Meira and La San Marco have an environmental management system which is certified according to the international ISO 14001:2015 standard - the global benchmark in the field. Meanwhile, Scottish company **Brodies** and **Segafredo Zanetti S.p.A.** have set themselves the aim of obtaining ISO 14001:2015 certification for their facilities by 2020. **Segafredo Zanetti Poland** has for many years been working on energy and water saving and on reducing emissions in the atmosphere. In 2018, the company introduced an internal

⁸ UN, 2019: "The United Nations world water development report 2019: Leaving no one behind"

⁹ European Commission, December 2019: "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The European Green Deal."

environmental policy in accordance with national legislative requirements and a list of green behaviours, which it shared with its employees in order to encourage them to adopt responsible practices and raise awareness.



8.1 Energy efficiency and the circular economy

More and more companies in the MZB Group have introduced a plan of action including specific objectives and initiatives designed to respond to environmental issues such as energy efficiency, emissions reductions, managing the end-of-life phase of products and waste management. More specifically, some companies in the Group have set out specific objectives establishing the implementation of measures designed to cut emissions and thus reduce their carbon footprint, partly through specific choices regarding energy supply, logistics services and management of company vehicles.

For example, **Meira** - a production company based in Helsinki - has decided to support the “*Helsinki City Strategy 2017–2021*” strategic plan announced in the Finnish capital in 2017. The aim of the plan is to achieve **carbon neutrality**¹⁰ by 2035 by cutting the capital's greenhouse gas emissions by 80%. The remaining 20% will be offset by Helsinki via emissions reductions initiatives in neighbouring towns. 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.

In line with the plan, Meira has set out a **strategy to reduce carbon dioxide emissions** by using biogas generated from by-products of coffee production from its own production cycle. This project contributes to the achievement of Meira's ambitious environmental objectives, including:

1. 20% reduction in greenhouse gas emissions through the use of wind energy and increased use of biogas,
2. achievement of 60% waste recycling rate, and
3. increased separated waste collection.

In 2019, in order to reduce and offset its emissions of carbon dioxide, **Segafredo Zanetti France** introduced a fleet of hybrid company vehicles and bought certified electricity from renewable sources to offset its entire energy consumption, thus contributing to prevent the issue of 132 tonnes of CO₂.

With the aim of reducing climate-altering emissions, companies in the Group have also implemented sustainable solutions to help them manage product logistics.

During 2019, the reorganisation of logistics activities and their centralisation in newly created logistics hubs allowed **Segafredo Zanetti Italia** to stop using around 21 rented facilities (used exclusively by SZ Italia), thus optimising consumption, resources used and goods movement. As part of the same environmental objective, for primary transport, Segafredo Zanetti Italia has also asked the transport partners it uses to move raw coffee from the port of Genoa to its facility in Bologna to use vehicles with EURO 5 or higher emissions standard. In terms of secondary transport, meanwhile, Segafredo Zanetti Italia has identified a 90% **target** for average saturation of loads transported, thus committing to optimising the volume of goods transported by individual vehicles.

¹⁰ 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.

A number of years ago, **Massimo Zanetti Beverage USA** launched a logistics project to switch to inter-modal goods and products transport (includi

ng road and rail transport). Unlike road-only transport, the new approach optimises load management with units that can be easily moved from one mode of transport to another, thus increasing transport efficiency. Studies have calculated that an increase of one percentage point in the products moved by inter-modal freight transport leads to savings in terms of CO₂ emissions of more than 200 tonnes with respect to the traditional road transport. **In 2019, the use of inter-modal transport accounted for 7.3% of total transport, allowing Massimo Zanetti Beverage USA to cut CO₂ emissions by 967 tonnes.** The figure is down 9.2% on 2018 due to the interruption of the inter-modal transport service by the railway operator.

Another energy efficiency project that has led to reductions in consumption and costs is the installation of LED lighting in some Group subsidiaries, including **Boncafè Thailand, Café Montaña, La San Marco, Tik Tak Segafredo Zanetti Holland, The Bean Alliance** and **Brodies**, with the latter committing to obtain ISO 14001:2015 certification for its premises by the second half of the 2020s.

Finally, MZB Iberia will - by April 2020 - install around 500 solar panels on the roof of its new facility in Portugal. The panels will be able to generate around 80-90% of the electricity consumed by the plant, cutting greenhouse gas emissions as a result.

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 is stable

¹¹ UN Climate Change News. "Costa Rica Commits to Fully Decarbonize by 2050". March, 2019

NEW OBJECTIVES FOR CAFÉ MONTAÑA

On 24 February 2019, the President of Costa Rica announced the launch of the National Decarbonisation Plan, aimed at eliminating net greenhouse gas emissions by 2050, in line with the Paris Climate Change Agreement¹¹. In order to reduce greenhouse gas emissions, the National Plan includes significant measures in terms of basic infrastructure and in economic sectors such as public and private transport, energy, industry, agriculture, waste management and soil and forestry management. The Plan also sets out a roadmap designed to modernise the economy, create jobs and stimulate sustainable growth.

In line with this approach, **Distribuidora Café Montaña** decided to set itself the even more ambitious objective of **eliminating greenhouse gas emissions by 2020**.

Within the context of this project, in early 2019 Distribuidora Café Montana installed a new roasting machine with better efficiency in terms of production capacity and consumption and a system designed to control and reduce fumes, thus cutting emissions. Further initiatives are planned to help the company achieve its target, including educational activities on resource wastage, particularly in terms of energy consumption, reforestation, environmental awareness and waste sorting.



compared to 2018, due largely to the overhaul of vehicle fleets carried out by some companies of the Group. Consumption of natural gas increased by 9% as a result of new acquisitions and increased production.

In 2019, MZBG recorded overall energy consumption of 648,270 GJ (655,258 GJ in total), an increase of 5% in comparison with 2018. [GRI 302-1]

In total, the amount of electricity used decreased by 5% on a like for like basis in 2019. Moreover, in 2019, around 8% of electricity consumption came from renewable sources.

Energy consumption, in GJ

Direct consumption	2017	2018	2019*	2019
Petrol	76,412	76,083	79,084	79,799
Diesel	75,509	74,950	97,138	97,520
Natural gas	309,291	271,531	292,577	297,024
LPG	25,693	25,484	22,055	22,055
Biogas	-	2,065	2,246	2,246
Total direct consumption	486,905	450,113	493,099	498,643
Indirect consumption	2017	2018	2019*	2019
Electricity	142,561	141,223	132,098	133,543
Electricity from renewable sources	11,314	11,088	11,131	11,131
Energy for heating	14,878	14,841	11,817	11,817
Energy for cooling	115	118	124	124
Total indirect consumption	168,868	167,270	155,170	156,615
Total	655,773	617,383	648,270	655,258

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 MZB 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 2019, global emissions came down 2% from 47,571 tonnes of CO_{2eq} in 2018 to 46,704 tonnes of CO_{2eq} (in total). Moreover, using the market-based approach, and therefore considering the renewable energy used by Segafredo Zanetti France, indirect emissions (Scope 2) were equal to 19,209 across the Group.

Greenhouse gas emissions, in CO_{2eq} tonnes

Direct emissions	2017	2018	2019*	2019
Petrol consumption	7,417	7,385	5,573	5,623
Diesel consumption	5,517	5,476	7,253	7,281
Natural gas consumption	17,444	15,212	16,598	16,850
LPG consumption	1,644	1,630	1,411	1,411
Total direct emissions	32,022	29,704	30,834	31,165
Location based indirect emissions (L.B.)	2017	2018	2019*	2019
From electricity	17,246	17,003	14,699	14,961
From heating	845	843	573	573
From cooling	22	22	6	6
Total indirect emissions L.B.	18,112	17,847	15,278	15,539
Total emissions (direct and indirect)	50,134	47,571	46,112	46,704

REDUCING EMISSIONS BY HELPING CLIENTS: THE AIM OF THE BEAN ALLIANCE IN 2020

In 2020, Australian company The Bean Alliance will introduce a project designed to assess the carbon footprint of coffee machines, engaging with clients and consumers in order to help them to make more responsible consumer decisions and ultimately reduce emissions.

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.

The **reuse and sale of jute sacks** is one virtuous approach shared by many companies within the Group, such as **Segafredo Zanetti France**, **Segafredo Zanetti Italia** and **The Bean Alliance**, which makes it possible to improve performance in terms of the production of waste by turning a waste product into a resource. Jute sacks are used in agriculture for the protection of new crops, to make rugs or to produce materials for schools.

Thanks to a package of measures designed to improve waste management, such as recycling (plastic, metal, cardboard), sales to third parties and energy production (for coffee by-products), **Segafredo Zanetti France** - for the third year in a row - succeeded in **eliminating waste destined for landfill**. Italian subsidiary **Segafredo Zanetti Italia** also achieved this.

Other Group companies such as **Meira**, **Segafredo Zanetti Italia** and **MZB USA** also launched projects in this field and are working continuously to reduce waste production. For example, at the MZB

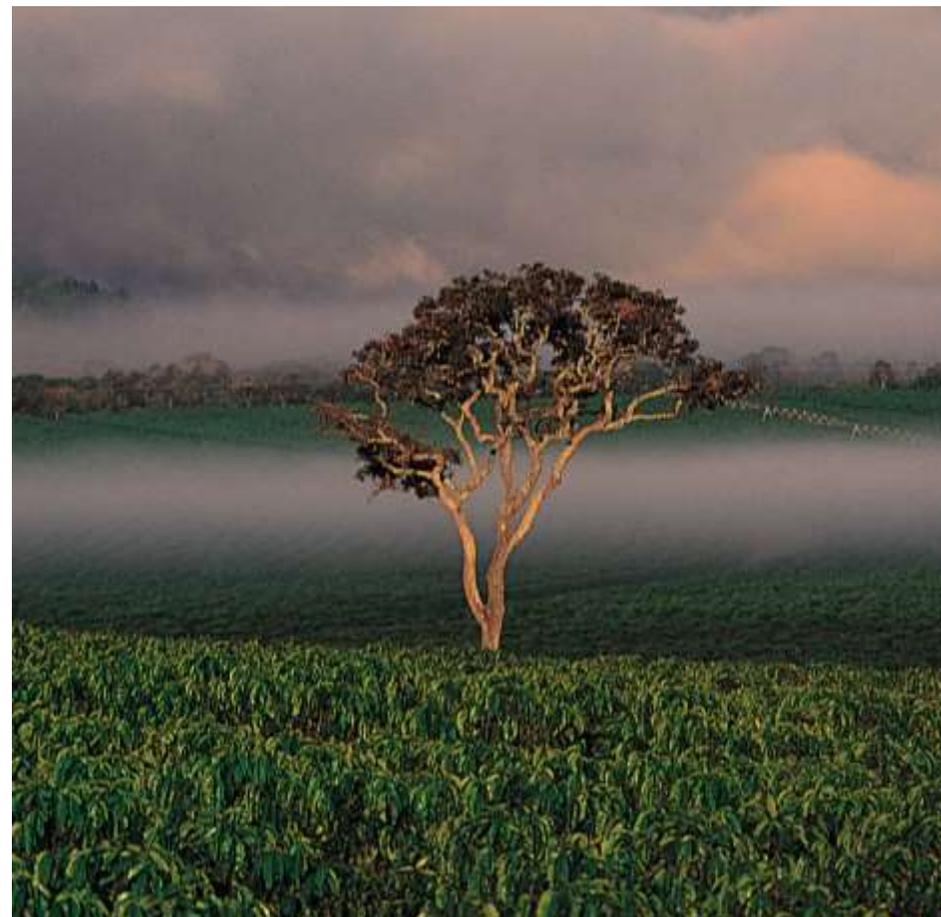
USA facility in Virginia, around 45% of waste produced is **recycled**. In line with circular economy principles, and in order to make better use of by-products, MZB USA sells green coffee by-products to third parties so that this can be made into organic fertiliser for use in the agricultural sector.

Segafredo Zanetti Italia, meanwhile, collects coffee silver skin - a by-product of the roasting process - in an external container using a closed-circuit system. Once processed, this organic residue is turned into pellets for sale as a **heating fuel**. In partnership with universities and research centres, alternative actions are also being assessed for the use of this and other types of waste, such as coffee grounds, in other sectors. Additional circular economy projects regarding the handling of waste materials are being assessed for launch in the coming years.

Many companies in the MZB Group adopt similar approaches and place their production residue on the market through authorised companies. **Massimo Zanetti Beverage Vietnam, Segafredo Zanetti Brazil, The Bean Alliance and Segafredo Zanetti Poland** have taken part in this type of initiative.

For example, Australian company The Bean Alliance is attempting to minimise waste deriving from unnecessary packaging by carefully planning the way packaging is used. However, when it is necessary to dispose of unused trilaminate wrap, The Bean Alliance uses the services of a local company which stores obsolete packaging as rolls for reuse at a later date.

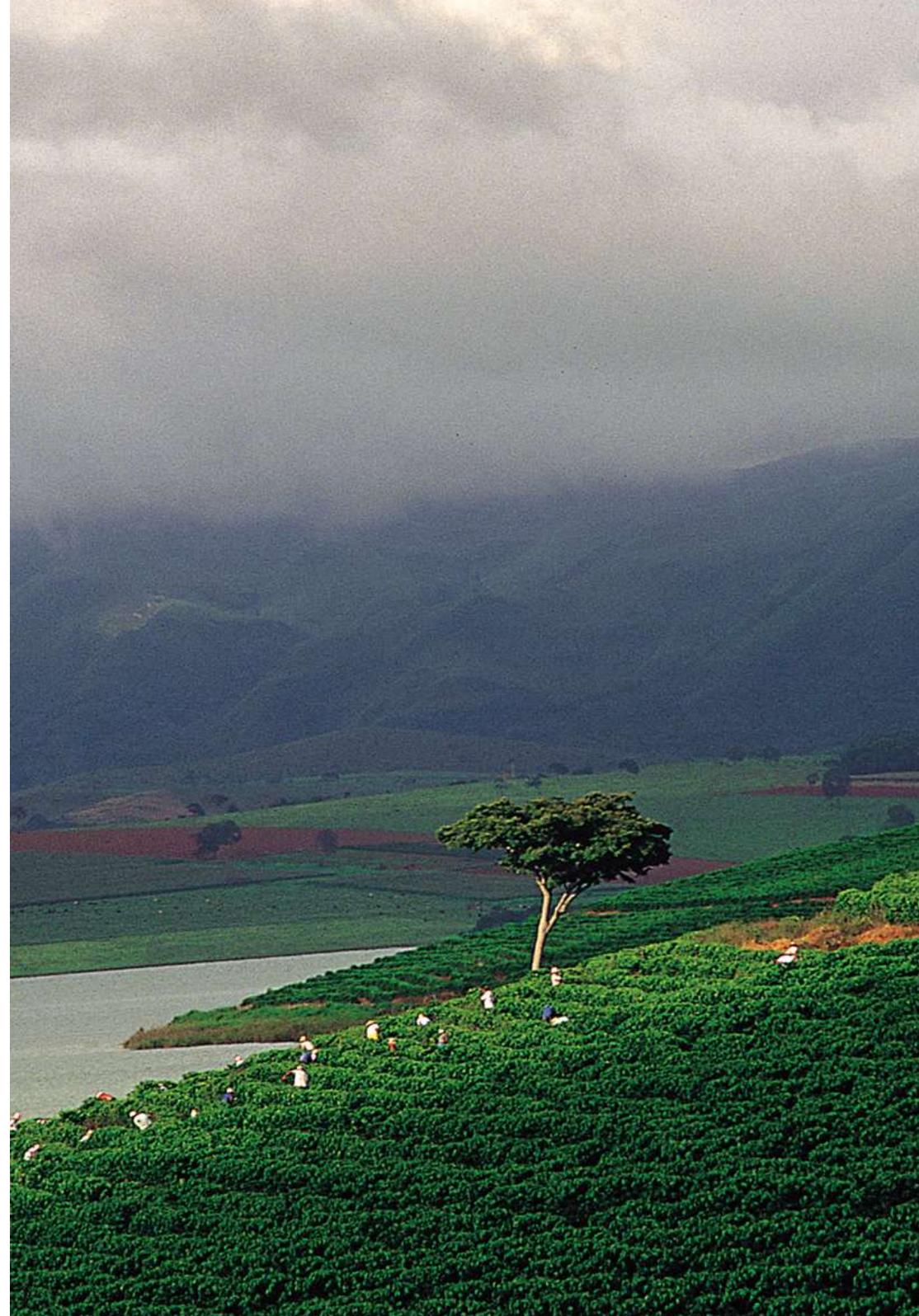
The Meira roasting plant, meanwhile, **converts coffee production by-products into biogas**, which it then reuses within its production cycle, thus cutting carbon dioxide emissions. This project contributes to the achievement of Meira's ambitious environmental objectives, including the reduction of emissions of carbon dioxide into the atmosphere.



Over the course of 2019, the MZB Group produced 8,119 (8,641 in total) tonnes of waste, a 9% decrease from the 8,874 tonnes recorded in 2018. [GRI 306-2] Almost all waste produced (99.9%) was classified as non-hazardous waste.

Waste produced in tonnes

Hazardous waste	2017	2018	2019*	2019
- of which sent for re-use	0	0	-	-
- of which sent for incineration	0.91	1.42	-	-
- of which sent for recycling	8	2.30	4	4
- of which sent for composting	0.01	0	-	-
- of which held in storage	3.54	5.57	4	4
- of which sent for landfill	0.30	0.17	-	-
Total hazardous waste	12.74	9.46	8	8
Non-hazardous waste	2017	2018	2019*	2019
- of which sent for re-use	155	479.8	551.7	551.7
- of which sent for recovery (including energy recovery)	617.7	349.7	724.5	724.5
- of which sent for incineration	2,361	2,705.6	2,280.3	2,280.3
- of which sent for recycling	2,074.3	1,991.9	1,983.9	2,015.3
- of which sent for composting	2,529.4	2,568.2	1,902.5	2,302.5
- of which held in storage	263	255.2	204	204
- of which sent for landfill	332.4	414.6	406.3	497.1
- other types of disposal	41.3	99.9	57.5	57.5
Total non-hazardous waste	8,373	8,864.7	8,110.7	8,632.9
Total waste (hazardous and non-hazardous)	8,385.8	8,874.1	8,118.7	8,640.9



KAUAI COFFEE IN THE HEART OF HAWAII

In terms of environmental and social issues, Kauai Coffee Company - based on the Hawaiian island of Kauai - deserves particular attention. With over four million coffee plants, Kauai Coffee is the only company in the Massimo Zanetti Beverage Group which directly runs its coffee cultivation and associated business activities. Kauai Coffee manages its crops sustainably to ensure that its operational activities respect and protect the local area and adhere to the sustainability values of the company and the MZB Group at large.

Kauai Coffee has taken a number of steps to ensure it manages its resources and land in accordance with the sustainability values and practices adopted by the Group. For example, the company ensures that water resources are managed efficiently by adopting a drip irrigation system comprising over **2,500 miles of drip tubing, enabling the company to save and reuse water in the fields**. Furthermore, the use of drones enables the company to actively map and constantly monitor crops, while part of its agricultural land is dedicated to researching and studying new varieties.

In 2019, in order to improve the quality of the land and the flow rate of water in the plantations, **MZB USA** - which runs the biggest agricultural company in the coffee sector in America, **Kauai Coffee** - worked with technicians and experts to develop a series of innovative projects designed to boost the knowledge and awareness of local communities of the risks linked to climate change.

As regards the use of chemical substances, in 2018 Kauai decided to reduce the use of all types of pesticides and completely eliminate "restricted-use pesticides" by 2021. At present, the use of pesticides has been reduced by 75% thanks to the growing practices adopted by Kauai Coffee.

Kauai Coffee has around 3,100 acres of coffee plantations, all of which are certified according to Rainforest Alliance, Fairtrade and NON-GMO standards. This guarantees fair and safe working conditions, the sustainable development of local communities, respect and protection of the environment and the absence of **Genetically Modified Organisms (GMOs)**.

Moreover, as part of the **Sustainable Coffee Challenge** initiative, the company decided to introduce further initiatives designed to reduce the use of chemical fertilisers by 2022, while at the same time maintaining the same crop productivity levels by **regularly rotating land used for growing and by using organic composted matter** with high fertilising properties. Besides allowing the soil to acquire nutrients, the regular rotation of cultivated fields will allow a decrease in water consumption of up to 20%.



8.2 Initiatives and sustainable innovation

The materials used for pods, capsules or traditional coffee packaging play a key role in preserving the taste and fragrance of the product and ensuring its quality is maintained. As a result, initiatives designed to develop more sustainable packaging include a meticulous process of analysis and assessment before they are launched on the market.

The main projects linked to product innovation within the MZB Group in 2019 included the development of solutions which make it possible to use **sustainable packaging**, ensuring packaging is recyclable while at the same time preserving the aroma and quality of the coffee inside.

In order to reduce the quantity of materials used, cut costs and decrease the quantity of materials that require disposal as a result of product usage, several companies within the Group - such as **Segafredo Zanetti Italia and Segafredo Zanetti France** - teamed up with their suppliers to launch products and conduct tests to assess the feasibility of solutions designed to reduce the thickness of the materials used, eliminate materials such as aluminium and use recyclable packaging.

More specifically, for the Segafredo Intenso (including the organic version), Segafredo Pausa, Segafredo Biondo and Katrina Gold Premium products, **Meira** has already developed a more ecological packaging solution which reduces the quantity of material used for

¹² For some of its products, Meira has developed packaging with 30% less aluminium and plastic.

packaging¹². Over the course of 2019, a number of solutions using bioplastics in packaging were tested.

The reduction of aluminium in single-portion capsules is one of the key packaging initiatives at Massimo Zanetti Beverage Iberia. This solution has made it possible to reduce the quantity of aluminium used by 3.9 tonnes per year, a decrease of nearly 40% for this type of product.

Initiatives designed to improve packaging have also been officially recognised by the market. In early 2019, **Segafredo Zanetti France** won the French “**Product of the Year**” (**Elu Produit de l’Année**) award for its range of biodegradable San Marco capsules.



San Marco capsules are also certified by *TUV Austria OK Compost*, a certification body authorised by European Bioplastics which can award the Seedling logo to products which comply with regulation

EN 13432, regarding the characteristics a material requires in order to be described as biodegradable or compostable.

This year, **Boncafé International** launched a line of compostable capsules in four different versions, all compatible with the leading espresso machines.



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.



The elimination or reduction of single-use plastic is another of the initiatives implemented by companies within the Group in order to reduce environmental impacts and incentivise responsible consumption, with sustainable products such as **The Bean Alliance's Brown Brew Cups** launched on the market.

The Bean Alliance's main product on the Australian market is "**Bean Ground and Drunk**", which has won several sustainability awards, including recognition at the Australian Organic Awards. A number of years ago, The Bean Alliance launched a product which makes efficient use of resources and uses sustainable, ethical materials. Brown Brew Cups - takeaway coffee cups - are made from cardboard originating from responsible sources, while bio-plastic is used for the internal lining of the cups. All Brown Brew Cups display information on how to correctly dispose of the product, together with additional environmental information.

As well as generating lesser impact during production and disposal, **Brown Brew Cups** are designed to accommodate the growing propensity of consumers to make responsible purchasing decisions, while at the same time ensuring baristas can offer a sustainable alternative to customers who want to take their coffee to go.



Similarly, Scottish subsidiary **Brodies** offers its customers KeepCups, which can be bought when they buy a drink and then reused for subsequent visits at Segafredo stores, in response to the significant increase in the use of single-use cups seen in recent years in the UK.



Parallel to the development of innovative, sustainable products, the companies belonging to the Group are also adopting responsible internal behaviours. In 2019, some companies in the Massimo Zanetti Beverage Group - such as **Segafredo Zanetti France and La San Marco** - replaced plastic coffee cups for cardboard or ceramic cups.

The unerring commitment of the Group's companies to these initiatives, and indeed the wider Group culture oriented towards the creation of new partnerships and collaborations between the companies themselves, has led to a general decrease in the tonnage of material used for product packaging, particularly as regards wood and jute.

REDUCE, RE-USE, RECYCLE: BONCAFE'S AWARENESS CAMPAIGN AIMED AT CUTTING PLASTIC CONSUMPTION

Through the “Reduce, Re-Use and Recycle” initiative, Boncafé International strives to promote a more responsible consumer culture among its customers. The campaign included the creation of reusable or compostable shopping bags.



Packaging material, broken down by type, in tonnes

Material	2017	2018	2019*	2019
Paper	1,319	1,153	1,206.8	1,206.3
Cardboard and corrugated cardboard	4,975.4	4,898.5	5,052.7	5,096.7
Plastic	3,272.2	3,218.8	3,346.6	3,347.7
Glass	669	672.7	428.8	428.8
Aluminium	153.7	150.8	157.5	157.5
Tinplate	7,684.3	7,086.5	7,235	7,235
Bonded materials (plastic, aluminium)	125.3	132.4	109.6	146.6
Wood (including pallets)	379.5	414.6	35.2	35.2
Flexible film (plastic)	872	774.4	770.6	770.6
Jute	148	140	-	-
Reels	69.8	136.5	130.4	130.4
Steel	0.3	2	2	2
Other materials (mostly plastic)	398	429	430.8	430.8
Total material	20,065.9	19,209.3	18,905.4	18,987.5

In 2019, Massimo Zanetti Beverage Group utilised approximately 18,987 tonnes of material for the packing of products, down by 1% compared to the previous year, largely due to the reduction in wood used by Segafredo Zanetti Italia. Overall in 2019, the consumption of packaging material originating from renewable resources¹³ – namely paper and cardboard – accounted for 33% of total consumption. [GRI 301-1]

¹³ Renewable material refers to material deriving from abundant resources which are quickly replaced by ecological cycles or agricultural processes. so that the

services provided by these and other associated resources are not at risk and remain available for future generations.

8.3 The Group's environmental policy

During 2019, the five main companies in the Group discussed the most relevant environmental issues for the MZB Group and identified priority focus areas. For each area, shared objectives have been set out for companies in the Group across energy sources, emissions, waste and raw materials. Moreover, the Group shared best practices and initiatives that have already been implemented or are being testing at companies that are more sensitive to specific issues.

The result of these discussions is the Group's **Environmental Policy**, which formally sets out the Massimo Zanetti Beverage Group's commitment to rising to current environmental challenges and integrating these into its core business. The Environmental Policy also aims to create a culture designed to promote respect for the environment and increase stakeholder awareness of these issues.

Companies in the MZB Group must strive to adopt and respect the following compulsory requirements as set out in the policy, which is shared and accepted by all Group subsidiaries:

ENERGY

- Efficient energy usage
- Use of renewable energy
- Energy recovery from by-products
-



EMISSIONS

- Constant monitoring of greenhouse gas emissions
- Reduction of greenhouse gas emissions and polluting substances
- Improvement of logistics to reduce greenhouse gas emissions

WASTE

- Reduction of waste produced
- Waste recycling
- Generation of by-products
- Client awareness around methods of product disposal

RAW MATERIALS

- Reduction of packaging materials
- Increased use of recycled raw materials
- Promotion of innovation in packaging

Those figures responsible for environmental management at the individual companies, and indeed all Group employees, must monitor and guarantee the implementation of these criteria and the pursuit of these objectives. Finally, the Environmental Policy includes analyses and checks throughout the supply chain, in order to ensure that obligatory requirements are respected, via site visits, self-assessment questionnaires and/or audits.

The Group is aware of the importance of environmental factors such as the protection of biodiversity and forest eco-systems. While not directly mentioned in the objectives of the Environmental Policy, the Group participates in international initiatives such as the Sustainable Coffee Challenge (SCC) in order to preserve the value of biodiversity and forest ecosystems, even where these are located in areas not

directly affected by Group activities. Initiatives and management approaches for these issues are set out in the Group's Responsible Procurement Policy.

9. LOCAL COMMUNITIES



9.1 Our initiatives

As set out in previous chapters, the Massimo Zanetti Group gives great importance to protecting the supply chain by providing direct support to local communities in countries where coffee is grown.

The adoption of sustainable practices and the certification of green coffee by local agricultural operators is a way guaranteeing consistently high quality and safety standards for coffee, as well as ensuring full traceability.

With the aim of better understanding the situations of communities involved in the cultivation of coffee - and making a contribution to the sustainable development of these - **Meira** has launched “**Sustainability Visits**” to suppliers. In early 2019, Meira visited green coffee cultivation and harvesting sites in Honduras, a country where agricultural production is the main source of income and where coffee accounts for 13%¹⁴ of total exports.

As a result of the visit, **Meira** was able to gain a deeper understanding of the specific social, environmental and quality issues facing the area, with the overall aim of promoting the adopting of agricultural practices that can preserve ecosystems and natural resources, mitigate the impacts of climate change and improve the working and living conditions of local communities.



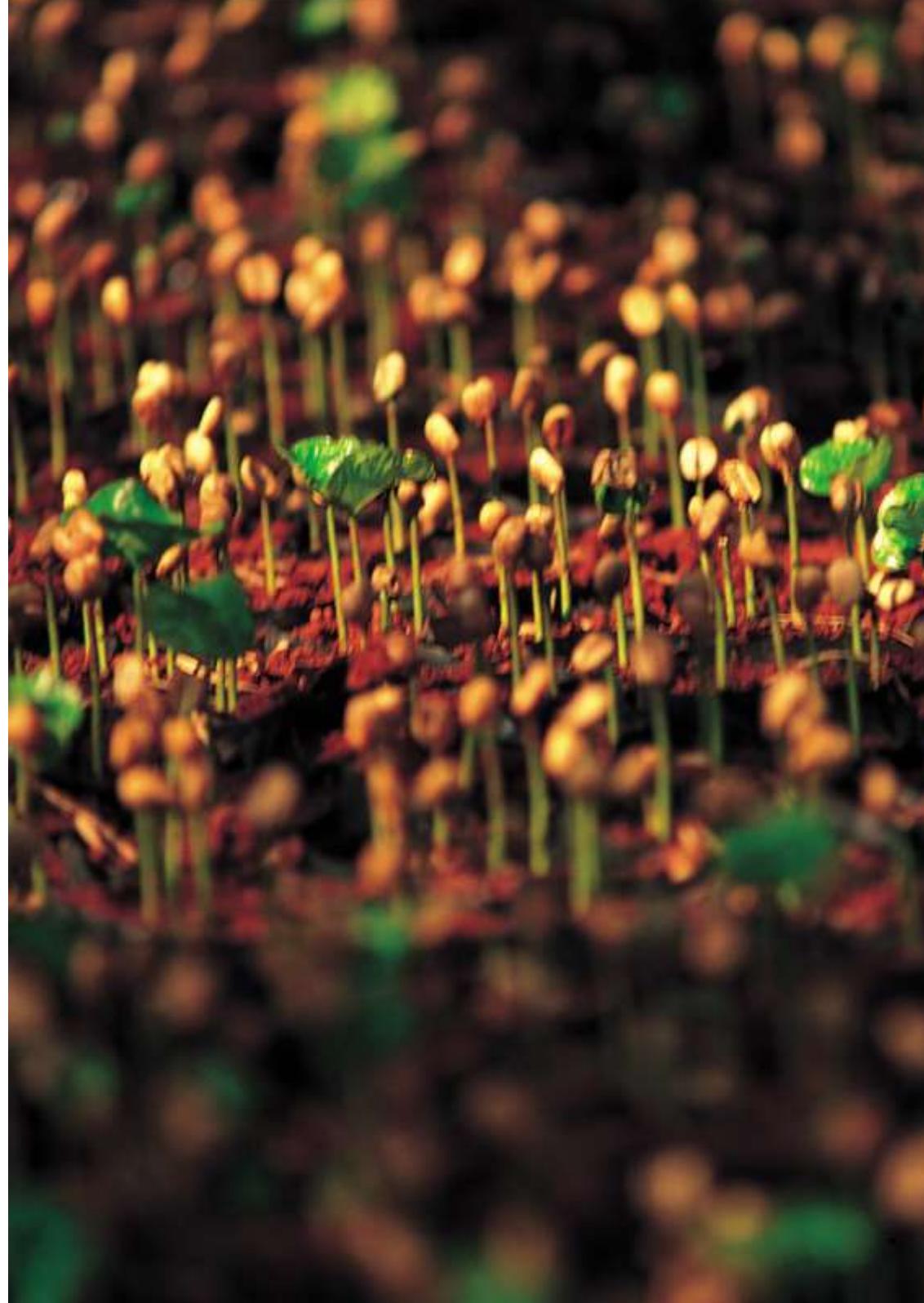
During the visit, Meira analysed the green coffee certification process and analysed the impacts of certification on the local area and local communities. This analysis, which was carried out through face-to-face meetings with agricultural workers, showed that achieving certifications (e.g. Rainforest, UTZ and Fairtrade) for coffee generally resulted in improved community well-being and environmental impacts. Indeed, communities who decide to implement sustainable, certified growing practices are able to benefit from socially valuable services such as the option to leave their children in childcare facilities during working hours. In some cases, this has also led to an increase in productivity and in turn boosted revenue and local development. From an environmental standpoint, the use of the outside part of the

¹⁴ The observatory of economic complexity. Honduras Export, 2017. (oec.world/en/profile/country/hnd)

coffee beans as a fertiliser, instead of chemical products, has improved the composition of the soil, enriching it with natural minerals.

For several years, Boncafè has also been making its own contribution to help the growing communities of the Honduran region of Marcala. Among several initiatives run in collaboration with the Zanetti Foundation to support **local communities, a new school was built in the Marcala region in recent years. Boncafè** works with the Association of Honduran Coffee Exporters (ADECACHE) to promote a range of initiatives, including local visits by experts, the organisation of training courses (e.g. on how to dispose of non-compliant chemical fertilisers) and a communication campaign designed to raise awareness among local communities regarding issues relating to environmental responsibility and sustainable development. This has enabled agricultural producers in the Marcala region to gain internationally recognised certification for their coffee (e.g. UTZ, Fairtrade and Rainforest). Within this context, other companies from the Group have also set out sustainability objectives designed to promote the responsible management of issues throughout the value chain. This includes participation in international industry initiatives such as the **Sustainable Coffee Challenge (SCC)**.

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 farmers and 10 million 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 throughout the supply chain, with a focus on the well-being of local populations.



Devised 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 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;
- **Improved 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.

Managing the supply chain through the implementation of responsible procurement practices and the provision of support for local communities is a key part of any company's sustainable strategy. The Massimo Zanetti Group is taking part in the Sustainable Coffee Challenge (SCC) in order to contribute to the sustainable

development of the coffee industry via collaboration, sharing and the promotion of sustainability initiatives.

As part of "The Sustainable Blend", the Group's sustainability strategy, **Massimo Zanetti Beverage USA, Kauai Coffee, Boncafé, Meira** and **Segafredo Zanetti France** have set out the following commitments, to be published in 2020.

A partner of the *Sustainable Coffee Challenge* initiative since 2017, **Boncafé** decided to renew its commitment to ensuring long-term well-being for local communities in 2019. By 2022, **Boncafé** commits to introducing training initiatives aimed at all stakeholders on the importance of traceability and sustainability in coffee cultivation. One example of this could be workshops for baristas.

As stated at the start of this document, **Kauai Coffee Company** announced its commitment to increasing the proportion of hectares managed according to organic, sustainable methods - by reducing the use of chemical fertilisers - by 30% by 2022. This pledge was announced on the online platform of the SCC initiative in 2019. Finally, in 2020, Kauai Coffee intends to publish a new commitment to obtain Rainforest Alliance certification for 100% of its crops.

Meanwhile, **Meira** is aiming to purchase only certified, sustainable green coffee by 2022. In this way, the Finnish company aims to celebrate the positive environmental and social impacts generated by certified coffee production and talk up the need to raise consumer awareness by guiding them towards more responsible purchasing decisions.

Finally, **MZB USA** - a partner of the SCC initiative since 2018 - is committing to increase access to secondary education in the Honduran region of Marcala by 2021 by making economic and other contributions to initiatives, constructing classrooms and serving as a project leader in support of social development in the region.

Within this context, MZB USA also decided to take part in the four Action Networks promoted by the Sustainable Coffee Challenge. These networks brought companies involved in the initiative together to boost sustainable procurement, overhaul and rebuild of agricultural companies, improve working and supply chain practices and map out and monitor coffee plantations and forests. During 2019, MZB USA teamed up with the Labour Network to launch a project designed to improve working practices in Brazil.

The American company also worked with the other Action Networks on key issues associated with coffee sustainability which are also relevant to other companies in the MZB Group. One example of this is the importance of improving coffee traceability by protecting the communities that supply this data and ensuring that the benefits generated through better transparency throughout the supply chain are fairly distributed.

10. ZANETTI FOUNDATION



FONDAZIONE ZANETTI
ONLUS

The Zanetti Foundation was set up by Massimo Zanetti and his children Laura and Matteo in 2007 with the aim of helping children in need by supporting and promoting national and international projects around food and healthcare, accommodation, education and psychological support. A focus on children and children's rights - and solidarity in general - is the guiding principles behind everything the foundation does. The foundation also organises fund-raising events and awareness initiatives designed to spread a wider culture in support of children.

Over the years, the Zanetti Foundation has supported 180 projects working with children in need.

The foundation supports projects all over the world, focusing on everything from food supplements to healthcare via prevention, schooling, information and awareness. It works with non-profit associations and organisations which make an active contribution towards changing people's lives on a daily basis.

In 2019, the following projects were supporter.

Rio de Janeiro, Brazil: Casa del Sorriso Espacio Casa Viva

Surrounded by violence and neglect, the Casa del Sorriso [House of Smiles] in the Manguinhos favela offers children a place where they can get involved in activities which play a crucial role in creating an environment where culture, peace and respect for people's rights

can thrive. Literary, painting and music workshops, themed seminars and courses focusing on best practices spanning health, dental hygiene and respect for the environment have been made possible thanks to the support of the Foundation, which has been supporting the project for years thanks to a close working relationship with the Cesvi charity.

Brazzaville, Congo: Ponte Noire Family Home

The Ponte Noire Family Home houses 29 orphan children between the ages of two and 18. Through the Volontari di Solidarietà [Solidarity Volunteers] Association, the Foundation covered part of the cost of providing the orphans with healthcare and buying basic foodstuffs and school resources vital for their education.

Eritrea: Food supplements for malnourished children in rural villages

By donating sheep and goats, this Aleimar Group project - supported by the Zanetti Foundation - has improved the diet of and brought milk to children up to the age of five years old. This also improves the economic conditions of families in need by allowing them to set up small, family-run livestock farming operations which can help them to make money.

Kenya: Support for the schooling costs of Talitha Kum children

Organised by the Fontana Foundation, the project allows many orphan children and HIV-positive minors in the Talitha Kum shelter in Nyahururu to continue their studies. This allows them to grow as people and tackle the social marginalisation they have experienced as a result of their HIV-positive status from a positive standpoint. The Zanetti Foundation covered part of the annual schooling costs.

Mozambique: Cyclone emergency

The Zanetti Foundation intervened to help the people of central Mozambique after they were hit by the destructive violence of Tropical Cyclone Idai in the spring of 2019. The Foundation made a

contribution to Medici con l'Africa CUAMM [Doctors with Africa CUAMM], which has been active in the city of Beira since 2003 and whose 35 doctors were able to help with the response to the humanitarian emergency. The staff of the Padua-based NGO provided drinking water, food, medicine and hygiene kits.

Nepal: Education for the children of Kirtipur

The Foundation remotely adopted ten children and supported their education through a programme run by the Senza Frontiere [Without Borders] Foundation, which aims to ensure educational continuity by covering the cost of room and board, clothing and teaching materials for children from the most disadvantaged sections of the population.

Niger: Reduction of maternal and child malnutrition in the district of Tillabery

As part of a project run by Coopi – Cooperazione Internazionale [Coopi - International Cooperation], dedicated to the prevention of maternal and child malnutrition, the Foundation supported the training of *mamam pb*, i.e. mothers capable of ensuring the early identification of cases of malnutrition by measuring the arms of children in villages in the district of Tillabery. It also funded the purchase of food and materials for participative demos around cooking, nutritional education and best practices.

Paraguay: All-round children's health

The Zanetti Foundation has supported a crucial basic healthcare service for children up to the age of five living in the rural, neglected suburbs of Encarnación, in the south of Paraguay. Run by the Canossiana Foundation, the service has also launched specific assistance for children with disabilities, as well as promoting prevention and hygiene/health education.



Papua New Guinea: Feeding programme

In a social context characterised by violence, extreme poverty and a high infant mortality rate, the *Fraternità Cavanis* [Cavanis Brotherhood] has launched the *Jesus Good Shepherd Primary School* and the *Fode Center* in the village of Bereina, ensuring children who attend the two facilities are protected and have access to education. Thanks to the support of the Zanetti Foundation, the children are guaranteed to eat one balanced meal every day.

Peru: In defence of boys, girls and adolescents in rural communities in the district of Omacha

Run by *Terre des Hommes*, the *Indifesa* [In defence] project works to help Quechua children living in rural Andean communities in the Cusco region of Peru. The support of the Zanetti Foundation helped to build a network of support and protection, promoting the rights of children living in conditions of extreme poverty and socio-cultural exclusion.

Peru: Play parks and padded jackets for the children of Omacha

The Foundation's work in aid of children in need in Peru continued with the purchase of 200 padded jackets, which are vitally important given the extremely low temperatures in the region, and the construction of three play parks in communities where there were no other recreational facilities. Given that play is an essential factor in the growth of any individual, this intervention played an important role in offering over 250 children living in poverty and marginalisation a chance to relax and feel protected as they grow up.



Democratic Republic of Congo: A meal for malnourished children in the Kavumu Nutrition Centre

Run by the Istituto Suore di Santa Dorotea di Cemmo, the new Nutrition Centre in Kavumu was set up thanks to the support of the Zanetti Foundation in 2018 and now works with a large number of malnourished children. The centre prepares nourishing, easy-to-digest food and takes care of and provides constant monitoring of the children until they are fully rehabilitated from a nutritional standpoint. The Foundation's help meant the centre was able to purchase local raw materials to use in food preparation.

Democratic Republic of Congo: Fight against child malnutrition

Child malnutrition is a widespread phenomenon in the Democratic Republic of Congo which the Zanetti Foundation has chosen to fight by supporting the NGO Médecins Sans Frontières. The Foundation's help has meant that 250 children under the age of five were able to get treatment in a centre in Nyabiondo run in collaboration with the country's Ministry for Health.

Romania: A mother for me too

The Andrea Damato Pilot Centre in Singureni, which was set up and is run by the Bambini in Emergenza [Children in Emergency] charity, provides shelter to abandoned and HIV-positive children. Through the *A mother for me too* project, these children are taken care of by a local family, who are fully trained and closely monitored. The Zanetti Foundation covered the cost of placing seven children with seven families, giving the children a healthy environment in which to grow both physically and psychologically.

Nyanza, Rwanda: Casa del Sorriso

Thanks to the support of the Zanetti Foundation, the project was able to provide annual health insurance and proper nutrition to the children of young mothers living in the *Casa del Sorriso* [House of Smiles] in Nyanza. The initiative was set up thanks to the Missionarie

Rogazioniste [Rogationist Missionaries] Association in Rwanda in order to provide the young mothers with psychological support and professional development.

Tanzania: Prevention and treatment of malnutrition in mothers and children at the Tosamaganga Hospital

At the Tosamaganga Hospital, the Medici con l'Africa CUAMM [Doctors with Africa CUAMM] charity runs activities designed to prevent and treat malnutrition in mothers and children in the Iringa region. The Zanetti Foundation has contributed to the development of this important healthcare initiative by providing funds for the purchase of medicines, healthcare equipment and the salaries of two local nurses responsible for cooking, tending the vegetable garden - used for demos - and running food education activities.

Togo: Agbatitoè village school

Not just a school, but a crucial space in the lives of the children of Agbatitoè. Launched by the Sacré Coeur Humanitaire Association and supported by the Zanetti Foundation, the project has been able to provide students with school books, meals and healthcare through the construction of a canteen and a small medical centre.

Ukraine: Physical rehabilitation for child cancer patients

The Zanetti Foundation has teamed up with the Zaporuka Foundation, which works with children from the Children's Ward of the Kiev Cancer Institute, where medical supplies and rehabilitation services have been reduced to the minimum. The Foundation has funded physiotherapy for eight patients, who have since been able to regain use of the parts of their bodies affected by the disease.

Vietnam: Living with disabilities in the community

The Zanetti Foundation has helped to support the activities of the Italy Vietnam Association, which takes care of 45 children living with disabilities caused by dioxins. The children come from very poor

families in the Province of Vinh Long. The association helps them to live independently within their communities, providing physiotherapy, phonetic therapy, pre-school education and speech therapy.

Italy: New Horizons 2019

By working with the Cosmohelp Association, which launched this project, the Zanetti Foundation has been able to cover part of the treatment costs for five children from Africa and the Balkans suffering with serious conditions that cannot be treated in their home countries.

Initiatives and events

2019 was a packed year of significant initiatives designed to raise funds and awareness in the community around a range of different issues.

Our programme of eight awareness meetings for schools, **Passi verso l'Altrove** [Steps towards the Elsewhere], saw over 2,000 students take part. The aim of the course was to explore the themes of Other and Elsewhere, with a focus on current affairs, history, human rights, fragility and new possibilities.

Smartphone, cattivo baby sitter! [Smartphones are bad baby sitters!] is the title of a three-part educational programme offered to parents and teachers focusing on the proper and improper use of tech devices in the educational environment. The **“Participation and Inclusion in 0-6 year olds” training meeting** featured a talk from Professor Paola Milani, an educational expert from the University of Padua, was attended by over 300 teachers from infant schools. The meeting focused on how to prevent inequality by investing in an inclusive, open approach to the education of children and families.

The **“Fiabe al parco” [Fairy-tales in the park]** and **“L'amore entra senza avvisare” [Love comes with no warning]** events raised awareness and funds for the LILT Giocare in Corsia Association, which runs daily recreational activities for children staying in two local hospitals. The events were attended by many families.

The film **Rwanda**, written and starred in by Marco Cortesi and Mara Moschini, was shown for the very first time in Veneto. Over 400 people were in attendance for the showing of the film, which tells a moving tale of bravery and brotherhood. Cortese and Moschini also starred in two performances of their theatre show **Die Mauer – Il Muro** [The Wall] at the Toniolo Theatre in Mestre (VE) and the Duse Theatre in Asolo (TV). The play tells the story of the Berlin Wall by giving a voice to those that challenged the division in the name of freedom. It also raised funds for the *Casa del Sorriso* project in Nyanza, Rwanda.

Zanetti Foundation

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Appendix

Methodology note

This document represents the third edition of MZBG non-financial statement. The information and data refer to 2019 and the performance trends to the three-year period 2016 – 2018, where available. The scope of reporting for all non-financial information includes 25 of the 57 companies controlled by the Group in Italy and abroad, of which 18 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 for the production of its NFS are the GRI Sustainability Reporting Standards, published by GRI – Global Reporting Initiative in 2016, and subsequent versions (e.g. GRI 403 Occupational Health & Safety, published in 2018). The “Core in accordance” option was chosen. 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.

All 2019 data is shown from two perspectives: the column with the heading “2019*” refers to the parameter that excludes the acquisition of The Bean Alliance and Puccino's, which is to all effects an independent company from this year, while the column with the

heading “2019” refers to the entire Massimo Zanetti Beverage Group. The data shown in the graphs refers to the entire scope of consolidation.

Subject	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 Emissions	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 403-9	Work-related injuries
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
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 indicator		
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. Below are methodological indications for some 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 rate of frequency corresponds to the ratio between the total number of injuries leading to an absence of more than one

day and the total number of hours worked* 1,000,000. The rate of absenteeism refers the number of days of absence in the reporting period against the total number of workable 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.

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 2017, 2018 and 2019.

Source / Fuel	Source of emission factor
Diesel Petrol LPG Natural gas	DEFRA (Department of Environment, Food & Rural Affairs), 2017 - 2019 conversion factors
Electricity	<p>For the calculation of Location Based emissions, factors from Terna, International comparisons, 2017 were used. 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.</p> <p>In terms of the calculation of emissions according to the Market Based approach, emissions factors referring only to thermoelectric production (known as residual mix) were used. More specifically, emissions factors for European Countries are taken from the European Residual Mix 2016 document, published by the Association of Issuing Bodies (AIB), while for the USA the reference document was the "2016 Green-e Energy Residual Mix Emissions Rates".</p>

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

GRI Content Index

[GRI 102-55]

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GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
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GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
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GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
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GRI STANDARD	DISCLOSURE	PAGE No.	NOTE/ OMISSION
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103-2	Information on the management approach and its components	52	
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GRI	DISCLOSURE	PAGE No.	NOTE/ OMISSION
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	52	

-	DISCLOSURE	PAGE No.	NOTE/ OMISSION
-	Volume of coffee purchased, by type and origin	64	

OTHER INDICATORS**VOLUME OF COFFEE PURCHASED**

-	DISCLOSURE	PAGE No.	NOTE/ OMISSION
-	Volume of coffee certified	52	



MASSIMO ZANETTI BEVERAGE GROUP SPA

**INDEPENDENT AUDITOR'S REPORT ON THE
CONSOLIDATED
NON FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016
AND ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF
JANUARY 2018**

YEAR ENDED 31 DECEMBER 2019



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of Consob Regulation No. 20267 of January 2018

To the Board of Directors of Massimo Zanetti Beverage Group S.p.A.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of Consob Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Massimo Zanetti Beverage Group S.p.A. and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 5 March 2020 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree, with the "GRI-Sustainability Reporting Standards" defined in 2016, and subsequent versions, (hereafter the "GRI Standards") and (limited to some indicators) with the "G4 Sector Disclosure – Food Processing" defined in 2014 (hereafter the "G4 Sector Disclosure"), indicated at paragraph "Methodology note" of the NFS, identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of the 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 an understanding of the Group's activities, its performance, its results and related impacts.

Finally, 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, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI Standards and (limited to some indicators) with the G4 Sector Disclosure. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 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 limited assurance that the NFS is free of material misstatement. 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 ("reasonable assurance engagement")* and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement. The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

- 1 analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
- 2 analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
- 3 comparison of the financial information reported in the NFS with that reported in the Massimo Zanetti Beverage Group's 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 in 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 those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5 understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Massimo Zanetti Beverage Group S.p.A. and with the personnel of Massimo Zanetti Beverage USA Inc., Meira Oy Ltd. and Segafredo Zanetti S.p.A. and we performed limited analysis of documentary evidence, 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 holding 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 their 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 accuracy of consolidation of the information;
- for the following subsidiaries, divisions and sites, Massimo Zanetti Beverage USA Inc., Meira Oy Ltd. and Segafredo Zanetti S.p.A., which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Massimo Zanetti Beverage Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree, with the GRI Standards and, regarding the indicators indicated at paragraph “Methodology note”, with the “G4 Sector Disclosure – Food Processing”.

Treviso, 27 March 2020

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.