

SUSTAINABILITY REPORT

Consolidated non-financial statement 2017 pursuant to Italian Legislative Decree No. 254/2016



MASSIMO ZANETTI
BEVERAGE GROUP



In the regions where we operate, we try to invest in projects that can foster the environment, diversity, sustainability and the context within which we operate.

Massimo Zanetti
Chairman and Chief Executive Officer

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**ITALIAN
ESPRESSO
LISTED ON
THE STOCK
EXCHANGE**

1.



1.1 MASSIMO ZANETTI BEVERAGE GROUP: A GLOBAL PLAYER WITH ITALIAN ROOTS

The **Massimo Zanetti Beverage Group** (hereinafter referred to as “MZBG” or the “Group”) is among Europe's leaders of roasted coffee, with integrated control along the entire value chain, from the sourcing of raw materials to roasting, through to packaging, logistics of products and their subsequent marketing. MZBG also operates in the design and manufacture of professional machines for bars and automatic machines for the office coffee service channel, managing a network of franchises with approximately 400 cafés in 50 countries.

With close on a billion Euro in revenue in 2017 and approximately 3,000 employees worldwide, Massimo Zanetti Beverage Group S.p.A. – controlled for 68.047% at 31 December 2017 by MZ Industries S.A., – is the parent company, listed since 2015 on the STAR segment of the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

MZBG sells its products in more than 110 countries with a significant presence in the United States, Italy, France, Portugal, Finland, Germany and Austria, which when combined represent about 80% of the turnover for 2017. Underlying the strong international presence is a network

An integral part of the history of MZBG's growth are its **40 brands**; some are very well known at local level, and are supported by the international Segafredo Zanetti brand, one of the leaders and drivers in spreading espresso coffee worldwide since 1960. The most important brands include and are not limited to those shown below according to their geographic region.



UNITED STATES

Check
full of Nuts
The heavenly nutter

HILLS
OF BEES
COFFEE

HILLS
OF BEES

MJB

CHASE &
SANBORN

KAUAI
COFFEE

LATIN AMERICA

Montana

Café
ITAMBE

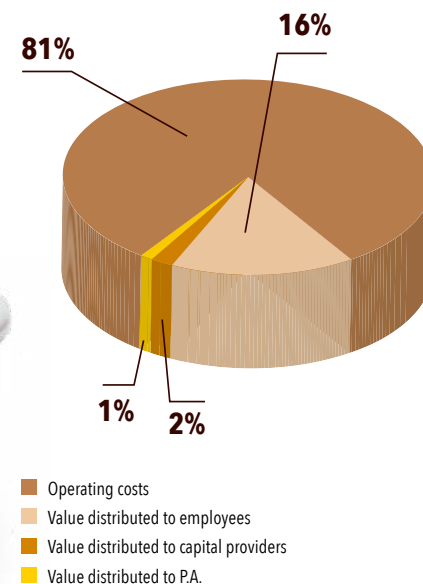
of companies belonging to the Group, of which 19 are involved in production, 39 conduct commercial operations, with a direct presence in 35 countries.

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

ucts are marketed through 3 primary channels: i) **Mass market** – national and international mass retail; ii) **Foodservice** – coffee shops, restaurants, hotels, road and motorway service areas, onboard catering, canteens and hospitals, and, iii) **Private Labels**, operators in both the Mass Market and Food service segments that market the coffee and products supplied by the Group under their own brands.

THE VALUE GENERATED AND DISTRIBUTED TO STAKEHOLDERS

In 2017, around 964 million Euro in economic value was generated, of which 95% was distributed amounting to over 915 million Euro. 16% of this amount was distributed to employees, 81% to suppliers of goods and services, 2% to providers of capital and, finally, 1% to the Public Administration.



3.000
EMPLOYEES
110 COUNTRIES
61 COMPANIES
40 BRANDS

**MORE THAN
FIFTY YEARS
OF PASSION
FOR COFFEE**

1970

In 1973, Massimo Zanetti bought what was then the **Industria Nazionale Coloniali Segafredo S.p.A.**, a roasting plant in Bologna operating principally in the Italian market. From the outset, Massimo Zanetti was driven by the entrepreneurial goal of becoming the nationwide reference operator for the sale of roasted coffee to bars and outlets selling to the public. To achieve this, Massimo Zanetti focused on providing not only a quality product, but also goods and services that would ensure customer loyalty, such as for example, supplying professional machines to prepare the coffee on a free loan for use basis. **This premise underlies the acquisition in 1976 of a majority shareholding in La San Marco S.p.A., one of the leading Italian brands for the supply of professional coffee machines and equipment for bars.**

1980

The Group's business developed along two lines: consolidating the business in Italy and establishing production facilities overseas. More specifically, in Italy, the company acquired new market shares in the Mass Market segment by entering into the first agreements with the large national retail chains, while on the international front, the internationalisation process began with the acquisition of companies with production facilities (Austria and France), the creation of new companies (Portugal and Spain) and signing agreements with distributors (Germany, England, United States and Australia). During this time, the acquisition of Cofiroasters S.A. (today a related party of the Group in that it is indirectly controlled by MZ Industries SA.) was finalised, a Swiss company operating in green coffee trading, i.e. raw coffee that has not yet been toasted. The eighties also marked the start

of the first advertising campaigns, which were among the most celebrated in Italy during that era, and some **sport sponsorships including those for McLaren**, with drivers Niki Lauda and Alan Prost. Finally, this time period also sees the first Segafredo Zanetti espresso coffee machines, which were mostly managed on a franchising basis.



1990

The Group's growth strategy is pursued along the lines of development that had characterised the previous decade. On the one hand, the promotion of the Segafredo Zanetti brand continued especially in Italy, with a series of **successful advertising campaigns** (including, the "Segafredo Moment" with Renzo Arbore), while on the other, international expansion continued with the establishment of new commercial companies in Germany, Belgium, Holland, Hungary and the Czech Republic, and the acquisition of the Dutch company TikTak B.V. In the second half of the 1990s the process of internationalisation moved beyond Europe, with the acquisition of the Café Nova Suissa S.A. in Brazil, and the addition of an Australian distributor.



2000 2010

The Group's global consolidation continued, with a series of acquisitions including Meira Oy Ltd in Finland and the establishment of distribution companies in Central and Eastern Europe and South America. **The launch of "portioned" coffee pods and capsules for the office and residential segments led to the establishment of Segafredo Zanetti Coffee System S.p.A.**

The most significant investments during this period took place in 2005, with the acquisition of a business unit in Sara Lee Corp, based in Suffolk, Virginia. This enables MZBG to add a modern roasting plant to its assets with its four historic retail brands: **Chock Full o'Nuts, MJB, Hills Bros and Chase and Sanborn.**



The commercial expansion process in North America continued with the acquisition of **Kauai Coffee Company LLC, which manages inter alia, the business related to the cultivation of green coffee** in one of the largest and most productive plantations in Hawaii. MZBG also became the owner of a business unit that included, inter alia, a roasting facility in Moonachie, New Jersey. **To support of the international Segafredo Zanetti brand, sponsorship was provided, which included the partnership with the Italian national soccer team and participation in the finals of the Barclays ATP World Tennis Tour.** Franchising was also developed with the launch of new formats under the Puccino's and Chock Full o'Nuts brands. 2013 saw the start of the process to reorganise the Group's structure, followed in 2014, by the acquisition of the Boncafé Group, which oper-

ates in Asia and the Middle East. On the basis of this structure **MZBG went on to be listed on the Stock Exchange in 2015.**



TODAY

Between 2015 and 2017, acquisitions are finalised of: Nutricafés S.A., one of the main operators in Portugal, of a minority interest in the share capital of Coffee Club LP, a Canadian company that operates in the capsules' segment, as well as the Tru Blue business unit in Australia (specifically in the State of Queensland), as well as a majority shareholding in PT Caswells in Indonesia, active mainly in the Foodservice channel.

PROCUREMENT › PRODUCTION › DISTRIBUTION

Material for packaging

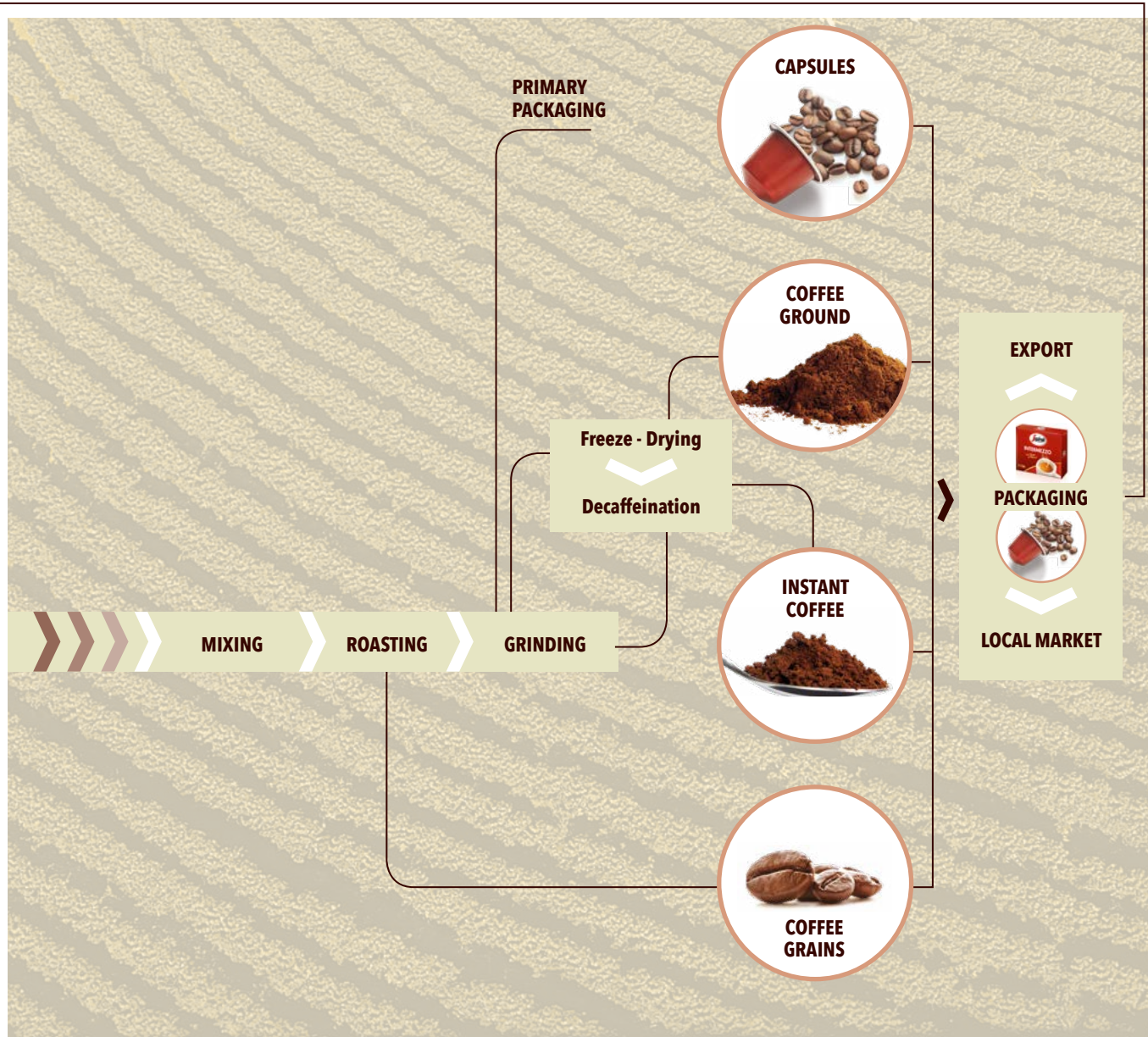


Green coffee
(Thirds)

Green coffee
(Related Parties)



QUALITY CONTROL



1.2_ THE MZBG COFFEE VALUE CHAIN

The purchase of green coffee, namely raw coffee that has not yet been toasted, is done through local producers, exporters and international trading houses. Among the latter, Cofiroasters S.A. provided 41% of the volume of the Group's purchases of green coffee during 2017.

Roasting (or toasting) is at the heart of the production process because it is during this phase that the transformation from raw to roasted bean takes place and the taste and aroma of the finished product is decided.

Once it has passed quality control, the incoming bean undergoes an initial cleaning process and is then stored in silos. The roasting process begins with the beans being sent from the silos to the roasting machines, after they have been weighed

and the mix has been put together. Once **inside the roasting machines**, the raw coffee that was washed and weighed, is heated and remixed at a temperature of 200-230° C for between 12 and 20 minutes, depending on the desired roasting level.

The process ends with the freshly **roasted beans** being **cooled down**. Before being ground and packaged, the roasted coffee undergoes a second cleaning process to remove any additional foreign objects. The decaffeination process is done on an outsourcing basis.

At the **end of the roasting process**, the coffee is packed and put into logistics packaging (cartons or shrink-wrapped), which is stored in specific warehouse areas until it needs to be shipped.

The **logistics management** of products leaving the roasting plants corresponds with the specific nature of the different markets in which individual companies operate and is closely linked to the relevant sales channel. MZBG is structured so that it can deliver its products worldwide through the Group's commercial companies.



Through its subsidiaries, the MZBG Group oversees the entire roasted coffee value chain



1.3 CORPORATE GOVERNANCE AND RISK MANAGEMENT

MZBG is organised on the basis of the traditional administration and control model pursuant to Art. 2380-bis et seq. of the Italian Civil Code.

The governance system adopted is in line with the criteria and application principles formulated in the Self-Regulatory Code of the Italian Stock Exchange for listed companies. The Board of Directors (Bod) plays a key role in the guidance and management of MZBG and the Group, and is responsible for the most important economic and strategic decisions.

The Board of Statutory Auditors supervises compliance with legislation and bylaws, adherence to the principles of sound administration and, in particular, whether the organisational, administrative and accounting procedures adopted by the Company and its operations are adequate. The statutory audit of the financial statements and consolidated financial statements is entrusted to the independent audit firm PricewaterhouseCoopers S.p.A., pursuant to Italian Legislative Decree 39/2010.

The Board of Directors of Massimo Zanetti Beverage Group S.p.A. – with reference to the in-

formation required by Art. 10, § 1 of Legislative Decree No. 254/16 on the diversity of the administrative, management and supervisory bodies – consists of 9 people, of which 4 are women and 5 men as detailed in the table below. For further information, reference is made to paragraph 4.2 in the 2017 Corporate Governance and Ownership Structure Report. The Company adheres to legislation relating to gender balance in its management and controlling bodies.

In line with the Corporate Governance Code, MZBG has established an **internal audit and risk management system (IARMS)** involving everyone according to their responsibilities:

- the Board of Directors that defines the guidelines and assesses the adequacy of the IARMS;
- the Audit and Risk Committee with the task of supporting the assessments and decisions of the Board of Directors relating to the IARMS, with adequate preliminary activity and proposals;

- the Director in Charge of the Internal Audit and Risk Management System, has the task of identifying the main corporate risks and implementing the guidelines defined by the Board of Directors;
- the Head of the Internal Audit function, responsible for verifying that the IARMS is functioning and adequate;
- the Board of Statutory Auditors that monitors the effectiveness of the IARMS.

Given the complexity of management operations and taking into account that risk taking constitutes a fundamental and essential component of the business, on 25 January 2018, the Board of Directors approved the “2018 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). Based on the introduction of Italian Legislative Decree 254/2016 on non-financial reporting, the 2018

Risk Assessment has also taken into account the risks faced by the company in terms of sustainability.

Furthermore, the Board of Directors has adopted an Organisation, Management and Control Model pursuant to Decree No. 231 of 8 June 2001 (“231 Decree”) – forming an integral part of the IARMS – and appointed a Supervisory Body tasked with overseeing the compliance, functioning and updating of the former (see § 2.2).

GENDER	AGE GROUP	UNIT OF MEASURE	2016	2017
Men	Between 30 and 50 years old	n.	1	1
	Over 50 years old	n.	5	4
Total Men		n.	6	5
Women	Between 30 and 50 years old	n.	2	4
	Over 50 years old	n.	1	-
Total Women		n.	3	4
TOTAL		n.	9	9

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**The composition
of the Board of
Directors**

1.4_ THE APPROACH TO NON-FINANCIAL ISSUES

With effect from the 2017 financial year, given that MZBG is a large-scale public interest entity, it is obliged to provide non-financial reporting pursuant to Legislative Decree No. 254 of 30 December 2016 (hereinafter the "Decree"), which implements Directive 2014/95/EU (the so-called Barnier Directive).

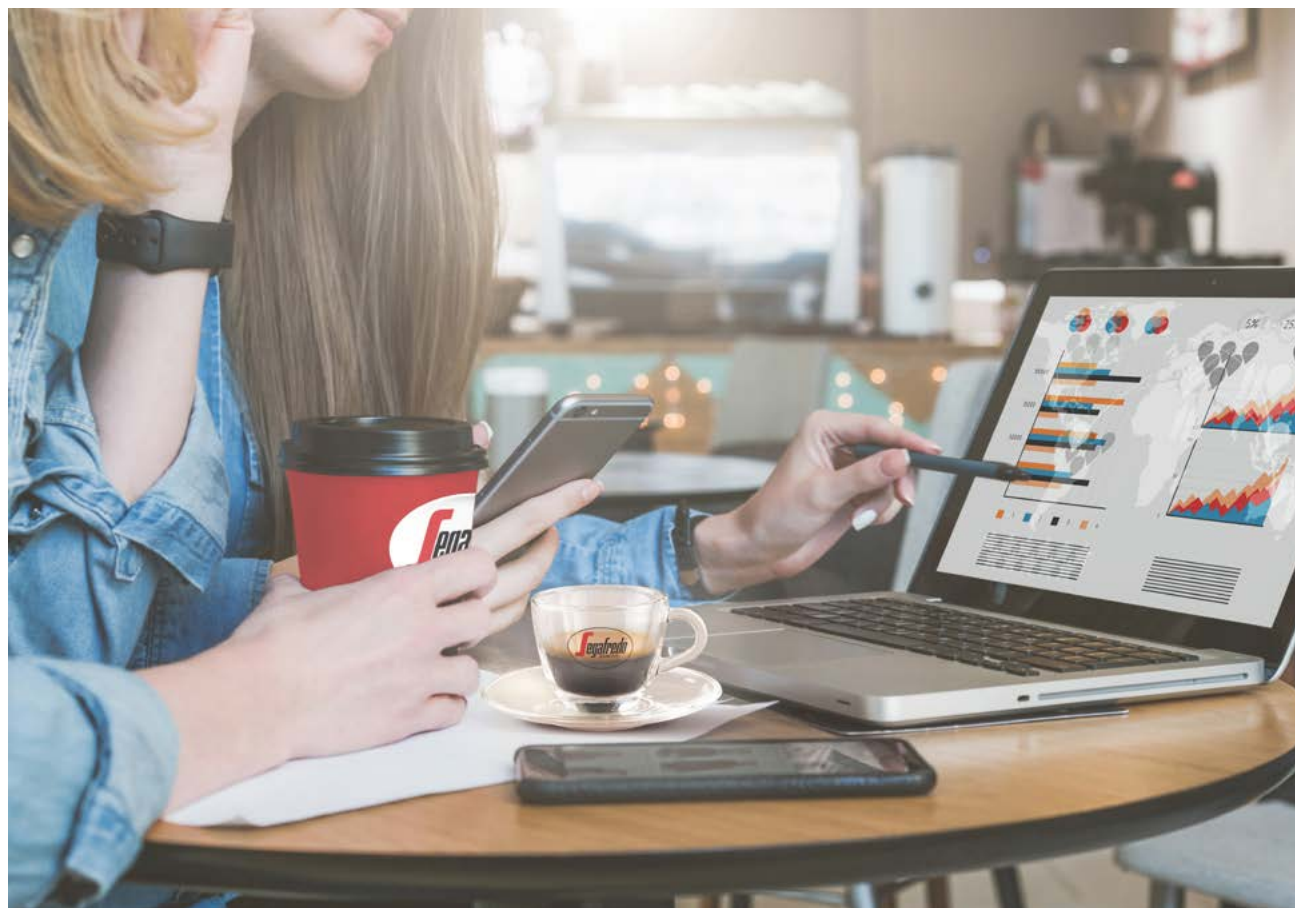
The Decree stipulates the publication of a non-financial statement to provide an understanding of business operations, their performance, the results and impact produced by the publication of information related to: environmental, social and employee issues, respect for human rights

and the fight against active and passive corruption. Specifically, with reference to these issues, the Decree requires a description of the corporate management and organisation model, policies, results and related key performance indicators, as well as the main risks associated with the business.

In response to the obligation of non-financial reporting, MZBG has taken the opportunity to expand on the issue of sustainability and create a common knowledge base on the practices already implemented at different companies.

The Group has therefore initiated a process to

identify the issues that are relevant for reporting, in accordance with GRI Standards, the most widely used standards for sustainability reporting.





THE SUSTAINABILITY OF COFFEE IN THE WORLD

Coffee is the most intensely marketed agricultural raw material on a global scale. Based on certain estimates, about 25 million small-sized farmers, located mainly in subtropical and equatorial regions, produce the green coffee for the more than 2 billion cups of coffee consumed daily worldwide. This number is expected to increase in coming years, according to growth forecasts for 2015-2020 (+25%).

This scenario presents new challenges for roasted coffee producers: in addition to managing price volatility, which is also linked to the effects of climate change, they will have to support the ongoing increase in coffee production, underpinned by specific programmes to provide support to small farmers.

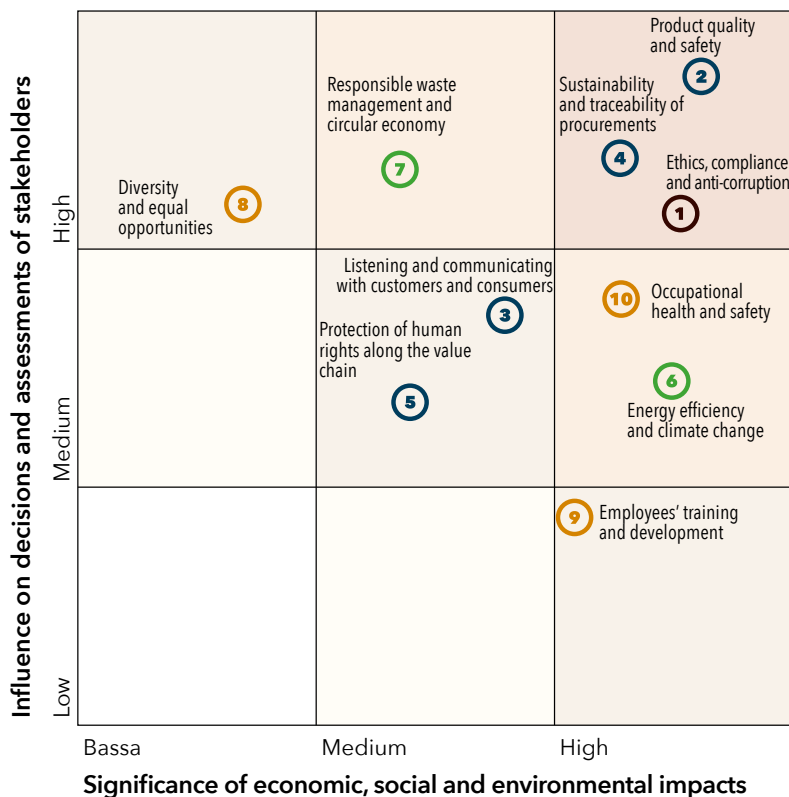
Sector operators have consequently noticed actively increased pressure from investors, retailers, customers and consumers in certain markets regarding issues such as supply chain traceability, the protection of human rights and the promotion of sustainable agriculture initiatives in producing countries.



The relevant topics

The identification of non-financial topics for reporting was conducted by starting with an initial **identification** of potentially relevant issues for the Group and its stakeholders and their subsequent **prioritisation** in relation to the significance of these topics. Specifically, the first phase was conducted on the basis of a documentary analysis of the main issues in the sector referring to sustainability. These were identified based on press reports, benchmarks from the leading companies operating in the coffee and agri-food sector, as well as using internal document sources, such as the

Annual Financial Report, the Code of Ethics, policies and operational procedures. Prioritisation was then set after a workshop held with the Group's Top Management, which assessed the relevance of these topics along the value chain, from both an internal and external perspective. Specifically, the external perspective was assessed on the basis of knowledge regarding stakeholders from daily business operations. The results of the meeting were then supplemented by a series of interviews with about 15 international Managers responsible for certain key countries.



A brief description of each of the relevant topics follows, correlated to the five areas required by Legislative Decree 254/2016.

	TOPIC	WHAT IT MEANS FOR MZBG	SCOPE UNDER LEGISLATIVE DECREE 254/2016
1	Ethics, compliance and anti-corruption.	Respect for the values, principles, standards and rules of conduct that guide corporate behaviour, including in terms of anti-corruption, correctness in negotiations and fair trade.	Fight against active and passive corruption.
2	Product quality and safety.	Attention to the safety of the product starting from the selection of raw materials and production procedures, and quality control in line with the highest international standards.	Social impacts.
3	Listening and communicating with customers and consumers.	Monitoring customers and consumers' perceptions, both in terms of evolving tastes and their satisfaction, and clear disclosure of all relevant product characteristics.	Social impacts.
4	Sustainability and traceability of procurements.	Paying attention to social and environmental conditions along the supply chain and ability to trace the product's "history", by monitoring all the basic steps in the supply chain.	Social impacts.
5	Protection of human rights along the value chain.	Respect and promotion of human rights along the value chain and integration of these principles in management models and significant corporate processes.	Human rights.
6	Energy efficiency and climate change.	Efficient and rational use of energy resources to improve performance and reduce climate-altering emissions associated with the businesses managed by the Group.	Environment.
7	Responsible waste management and circular economy.	Reduction and overall waste management optimisation, with particular reference to production materials, food waste and packaging.	Environment.
8	Diversity and equal opportunities.	Promoting equal opportunities and diversity within the company in accordance with national and international conventions, legislation and guidelines.	Personnel management.
9	Training and employee development.	Training and enhancement of human capital to ensure growth, managing and consolidating workers' knowledge base in line with the Group's requirements.	Personnel management.
10	Health and safety in the workplace.	Prevention, monitoring and reduction of risks related to health and safety for employees in the workplace.	Personnel management.



**ETHICS AND
COMPLIANCE**

2.



2.1_ THE ISSUES, RISKS AND POLICIES



MZBG'S CODE OF ETHICS

The Massimo Zanetti Beverage Group's 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 Code of Ethics applies to corporate structures, directors, managers, employees, auditors, agents, contractors and anyone working significantly and continuously on behalf, in the name or in the interests of MZBG (the "Recipients").

The principles and values contemplated by the Code of Ethics refer inter alia to legality, responsibility, honesty and correctness, transparency, integrity, reliability, respect, the protection of the environment, safety and social responsibility, intended as protecting human rights and promoting the well-being of communities. These values must underpin all MZBG's activities, 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.

Recipients inside and outside the Group are informed of the Code of Ethics through specific communication and training activities. Brief training on the contents of the Code of Ethics is provided during the appointment phase; all new appointees undertake to study and comply with the Code of Ethics and Organisation Model. Recipients are required to immediately report through dedicated communication channels either to their direct superior or to Supervisory Board, regarding any conduct that albeit only potentially, may be contrary to the provisions under the Code of Ethics.

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



2.2_ THE 231 ORGANISATIONAL MODEL

The Company 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 the Company to prevent or react promptly to prevent the unlawful deeds being committed, thanks to ongoing monitoring of all activities.

The principles of the Model aim to:

- a) make the potential offender fully aware of committing an unlawful deed;
- b) allowing the Company to prevent or react promptly to prevent the unlawful deeds being

committed, thanks to ongoing monitoring of all activities.

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

Italian subsidiaries (Segafredo Zanetti Italia S.p.A., Segafredo Zanetti Coffee System S.p.A. and La San Marco S.p.A.) have adopted their own Organisational Models pursuant to Decree 231/2001 and appointed a Supervisory Body. MZBG is also promoting the dissemination and compliance with the provisions of the Code of Ethics at its foreign subsidiaries.

MZBG has developed a communication and training programme aimed at ensuring the disse-

mination of the main content of Decree 231, the Code of Ethics and Model to all staff members. These activities are organised in a way that provides different levels of detail according to the varying levels of involvement in sensitive and/or "at risk" activities.

The 231 Models of MZBG and the Italian companies Segafredo Zanetti S.p.A. and La San Marco S.p.A. were updated during 2017, subsequent to the introduction of Italian Legislative Decree 38/2017 on corruption between private parties, with meetings organised to raise awareness among Top Management. Any infringements of the law, the Code of Ethics or the Model may be reported to the Supervisory Board via email (odv@mzb-group.com) or via ordinary mail.

2.3_ THE KEY FIGURES

Over the two-year period 2016 and 2017, no incidents of non-compliance with laws and regulations were reported in the economic and social areas [GRI 419-1], nor was any legal action undertaken for anti-competitive, anti-trust behaviour and monopolistic practices [GRI 206-1]. Similarly, there were no incidents of corruption [GRI 205-3].





**FROM THE
RAW MATERIAL
TO THE CUP**

3.



3.1 QUALITY FOR CUSTOMERS AND CONSUMERS



The issues, risks and policies

Handling the coffee production cycle with due care, working to provide quality products and services to customers and consumers worldwide, while respecting the ethical values of integrity, honesty, transparency and competition is a central aspect to MZBG's conduct, starting with its Code of Ethics.

To achieve this objective, the Group's activities evolve along two lines: protecting the **quality** and **safety** of the product and **listening and communicating with customers and consumers**.

The mission of MZBG is to satisfy customers and consumers by providing them with quality products and services, in full compliance with national and international regulations and legislation.

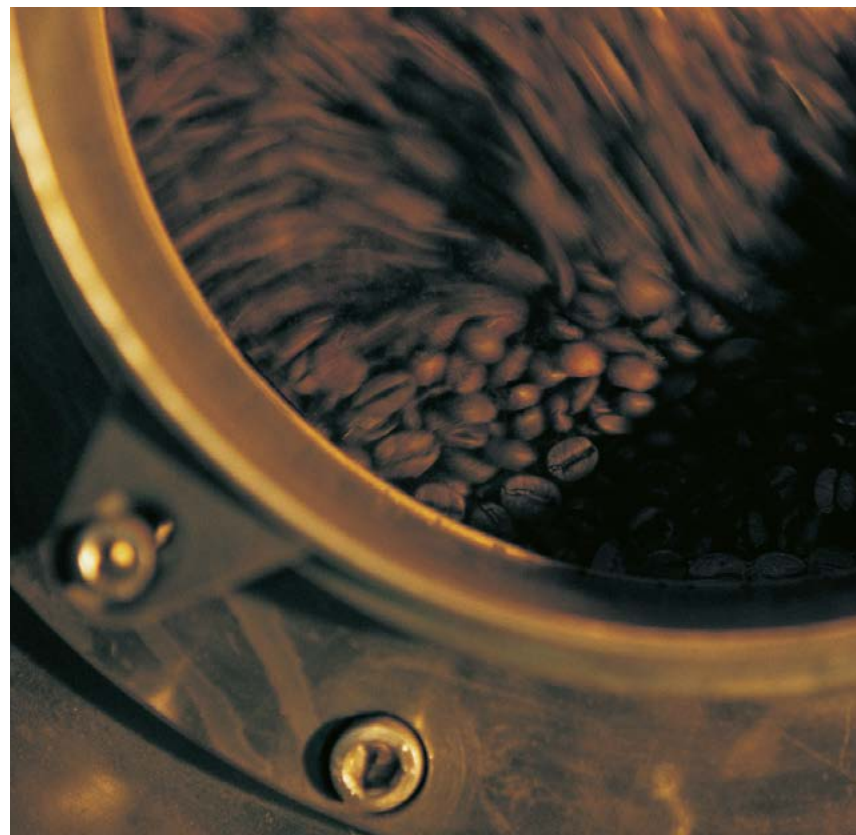
To put this commitment into practice, there are specific policies within the Group on food quality and safety relating to individual companies and factories, guaranteed by certified management

systems covering almost the entire volume produced.

Aspects that are focused on include monitoring evolving trends on tastes on the market, innovation of the related product portfolios and clear and correct communications to customers and consumers regarding the specifications of products and business services.



**The mission of MZBG
is to satisfy customers
and consumers.**



The organisation and management model

The management of the different aspects referred to above falls to the various operating companies.

The marketing of coffee is subject to obligations under legislation on production processes and maintaining the food safety certifications required by international and national standards. At central level, the Group ensures that all industrial companies operate in compliance with **locally applicable regulations** in terms of quality and safety and – wherever possible – with the more advanced guidelines and standards on the market. Specific offices within the Group's individual companies are responsible for ensuring the **quality and safety of products** at every stage of the production cycle.

The product is subjected to a series of controls from the time the green coffee is received at the plants: once the raw material is accepted, a check is done on the documentation together with a laboratory analysis; during the roasting phase, an organoleptic and physical test are conducted to verify, inter alia, the colour of the roasted coffee and moisture level; these parameters are then also checked during the grinding stage. Finally, during packaging, the packaging itself is checked for compliance in terms of weight according to applicable regulations.

Furthermore, twelve production companies hold at least one voluntary food safety certification, as shown in the table below.

At the end of 2017, the seven most significant production companies – which together account for almost 80% of turnover and 90% of coffee volumes produced by the Group* – are certified according to the international ISO 9001 quality standard, which stipulates the definition of responsibilities and controls aimed at ensuring the achievement of key objectives and supporting product quality and customer service.

* Segafredo Zanetti France S.A.S., Massimo Zanetti Beverage USA Inc., Meira Oy Ltd, Segafredo Zanetti S.p.A., Boncafé International Pte Ltd, Distribuidora Café Montaña S.A. and Massimo Zanetti Beverage Iberia S.A. Boncafé International Pte Ltd and Distribuidora Café Montaña S.A. are ISO 9001:2008 certified and are preparing to transit to the new version.



CERTIFICATION STANDARDS		CERTIFIED COMPANY
IFS Food Certificate	Combined quality assurance standard valid for all foodstuffs.	Segafredo Zanetti (Brazil) Com. distr. de Café S.A. Segafredo Zanetti Austria GmbH Segafredo Zanetti France S.A.S. Segafredo Zanetti S.p.A. Massimo Zanetti Beverage Iberia S.A.
British Retail Consortium	Global food safety standard.	Segafredo Zanetti (Brazil) Com. distr. de Café S.A. Segafredo Zanetti S.p.A. Massimo Zanetti Beverage Iberia S.A.
Food Safety System Certification 22000	Food safety standard for production processes across the supply chain.	Distribuidora Café Montaña S.A. Tiktak/Segfredo Zanetti Nederland BV
Safe Quality Food	Food sector safety standard across the supply chain.	Massimo Zanetti Beverage USA Inc.
Supplier Quality Management System	Quality management system for suppliers of food products.	Segafredo Zanetti S.p.A. Segafredo Zanetti France S.A.S.
Hazard Analysis and Critical Control Points	European food hygiene certification.	Tiktak/Segfredo Zanetti Nederland BV Massimo Zanetti Beverage Vietnam Company Ltd. Boncafé International Pte Ltd.
Good manufacturing practice	Certification that guarantees the integrity of the food production process and compliance with food safety regulations.	Boncafé (Thailand) Ltd.
Safe and Local Supplier Approval	Widespread certification in the United Kingdom certifying products' regulatory compliance with food safety requirements.	Brodie Merlose Drysdale & CO Ltd.
Kosher	Religious certification attesting to compliance with the rules stipulated in the Torah.	Massimo Zanetti Beverage USA Inc. Segafredo Zanetti Coffee System S.p.A.
Halal	Religious certification attesting to products' compliance with the rules stipulated by the Islamic religious authority.	Massimo Zanetti Beverage Vietnam Company Ltd.

THE SATISFACTION OF CUSTOMERS AND CONSUMERS: THE MAIN APPROACHES ADOPTED BY OPERATING COMPANIES

DISTRIBUIDORA CAFÈ MONTAÑA S.A.

Distribuidora Cafè Montaña S.A. evaluates customer satisfaction every 6 months. The most recent results record values above the minimum accepted level of a 90% satisfaction rate. The main variables measured are the level of satisfaction, product availability, taste and possible complaints.

MEIRA OY LTD

The company conducted a survey in 2016 to evaluate customer satisfaction. The results classified Kulta Katriina as the third most popular brand on the market. **Meira Oy Ltd** collects all consumer feedback and analyses this monthly by type.

SEGAFREDO ZANETTI FRANCE S.A.S.

Segafredo Zanetti France S.A.S. measured customer satisfaction at the end of 2016, reporting very high levels, with an average of 94.1%. The aspects assessed as being significantly positive were the company's responsiveness in terms of sales and administration, as well as the monitoring done on sales volumes.

MASSIMO ZANETTI BEVERAGE USA INC.

Massimo Zanetti Beverage USA Inc. invests regularly in ad hoc research to understand consumers' needs. Over 10 studies have been conducted in recent years: the results of these surveys provided key elements for defining the corporate business strategy.

COMMUNICATION WITH CUSTOMERS AND CONSUMERS: KEY EXPERIENCES OF OPERATING COMPANIES

NEW ON PACK COMMUNICATION BY SEGAFREDO ZANETTI POLAND SP. Z.O.O.

Between 2016 and 2017, **Segafredo Zanetti Poland Sp. z.o.o.** carried out a survey with the aim of developing packaging that could meet consumers' information needs. The study showed that information content on packaging should be increased, such as recommendations for the preparation and consumption of the product, in order to reinforce the consumer's purchasing decision.

NEW TV COMMERCIAL FOR SEGAFREDO ZANETTI ITALIA S.P.A.

In 2016, **Segafredo Zanetti S.p.A.** developed a new television commercial to reaffirm the brand's role in the home of Italians. Since 2017, it has also undertaken a multi-subject campaign in the press and magazines, based on the products and sporting event sponsored by the company (cycling at all levels).



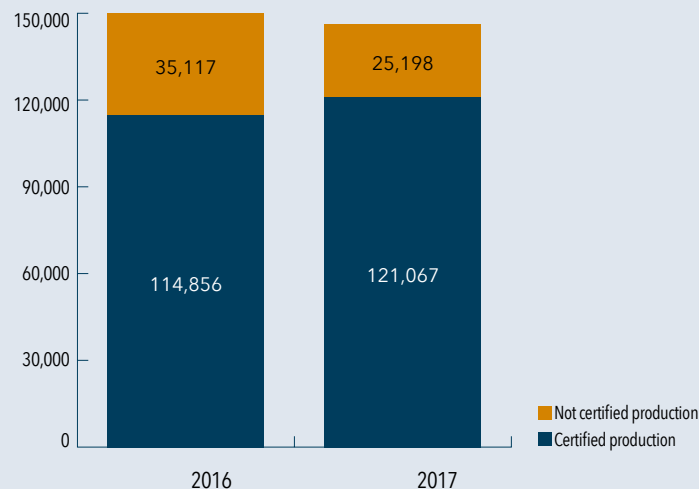
THE KEY FIGURES

In 2017, 82.8% of MZBG coffee was produced at sites certified according to one of the food safety standards listed above, recording an increase of 5.4% on 2016. Certified production is subdivided between the different standards shown in the chart aside.

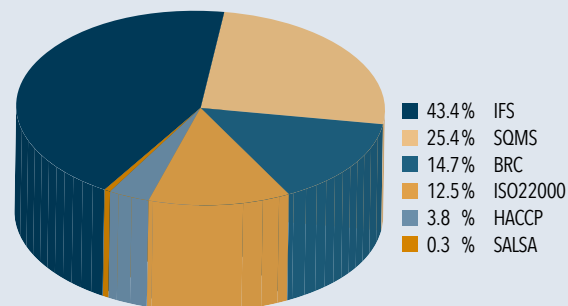
With regard to sales communications, three reports were recorded in 2017 relating to three of the Group's companies. The National Advertising Division of the Council of Better Business Bureaus, which monitors and assesses the truth and accuracy of advertising in the United States, issued a recommendation to Massimo Zanetti Beverage USA Inc. relating to the limitation of liability statement on the packaging of a product. Boncafé International Pte Ltd and Boncafé (Thailand) Ltd received two warnings for an incorrect nutrition claim on two product lines. [GRI 417-2] [GRI 417-3]



Certified production on the total amount of coffee produced, in Ton



Certified production by standard*



Note: It should be noted that the year 2016 takes into account the certified and non-certified production of Kauai Coffee Company LLC as from August. The total of all Kauai Coffee Company LLC production for 2017 represents 0.002% of the Group's total production.

* 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.

3.2_ RESPONSIBLE SUPPLY CHAIN MANAGEMENT



The issues, risks and policies

For operators in the agri-food sector, the **sustainability** and **traceability of procurements** are key elements to responsible supply chain management. Traceability makes it possible to reconstruct and follow the product's journey from the cultivation of the raw material through to the cup, by monitoring compliance with applicable regulations and corporate policies regarding quality aspects, the protection of workers and environmental standards.

The complexity of the coffee supply chain, characterised by numerous levels of trade negotiations between agricultural producers and distributors of the finished product, also raises the issue of **protecting human rights**, especially with regard to work in the plantations.

Fluctuations in the price of the raw material on the one hand, and variability in the quantities harvested on the other – partly associated with the impact of climate change on crops – can generate speculative movements to the detriment of weaker operators, and therefore represent important aspects for sustainability in the sector in which the Group operates.

The Group's commitment to promoting the principles of legality, accountability and ethics in relations with suppliers and business partners both nationally and internationally is currently set out and summarised in the Code of Ethics.

The organisation and management model

In the case of the supply of green coffee as well as other food products, which are managed directly by individual companies, supply management is controlled by the procurement function and formalised in internal procedures that **qualify and evaluate the performance of suppliers**. These procedures are generally based on the economic conditions offered, the quality of the purchased goods and punctuality of the service rendered by the supplier.

Traceability of supply is another important part of the Group's organisation and management model, especially with regard to production companies that deliver to some of the international players that are more attentive to the origin and quality of the coffee, such as McDonald's, Donkin Donuts, Carrefour and Disney.

Massimo Zanetti Beverage USA Inc., for example, imposes a numbering systems on its suppliers to identify products so as to facilitate traceability, where necessary; Segafredo Zanetti S.p.A. has a monitoring system for incoming products, whereas Segafredo Zanetti France S.A.S. has set up an identification and traceability procedure for the product across the supply chain that logs data using specific software – Coffee Trace.

THE QUALIFICATION AND ASSESSMENT OF SUPPLIERS: KEY EXPERIENCES OF OPERATING COMPANIES

PURCHASES OF GREEN COFFEE BY MASSIMO ZANETTI BEVERAGE USA INC.

In addition to its commercial and technical aspects, the procedure stipulates full compliance with the parameters established by all health regulations and those at government level and by the **Global Food Safety Initiative**, which brings together key players in the food industry for the continuous improvement of food safety management systems.

The company requires that its suppliers compile a detailed check list with over 100 questions referring to traceability and food safety, which relate, inter alia, to using batch numbering techniques, safety and hygiene in compliance with the HACCP standard, the control of parasites and allergens and the application of Good Manufacturing Practices, in relation to quality standards.

MZB USA also encourages 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.

THE CHARTER FOR RESPONSIBLE PROCUREMENT BY SEGAFREDO ZANETTI FRANCE S.A.S.

The company invites its suppliers to act correctly and with impartiality by subscribing to the **"Charte des Achats Responsables entre Segafredo Zanetti et ses fournisseurs"**. The Charter specifies that suppliers act against all forms of corruption and respect the principles of the **United Nations Global Compact (UNGC)**, the 8 fundamental **Conventions of the International Labour Organisation (ILO)** and pertinent social and environmental legislation. Suppliers are further required to draft an annual report on the progress made, undergo possible checking to verify their compliance with the principles subscribed to and, if necessary, put in place appropriate corrective measures. Overall, the suppliers' evaluation system is based on 4 four aspects: the quality of their report, responsiveness, approach to the environment and timely deliveries.

NEW PROCEDURES FOR MEIRA OY LTD AND SEGAFREDO ZANETTI POLAND SP. Z.O.O. SUPPLIERS

In 2016, Meira Oy Ltd started a collaboration project with Cofiroasters and its principal suppliers of spices to consolidate the sustainability of its supply chain. **Evaluation and monitoring systems** based on quality standards were updated to also include certain social aspects. In addition to labour practices, human rights and social impacts, these also included the **BSCI** principles (Business Social Compliance Initiative), one of the most important supply chain management systems that support companies in the process of assessing the social compliance of their supply chains. The assessment for coffee suppliers is standardised on the basis of the certification criteria of the European Coffee Federation global platform. With a view to continuous improvement, in 2017, Meira Oy Ltd introduced a computerised system for assessing suppliers using specific indicators, and developed its own sourcing policy.

Following the example of Meira Oy Ltd, Segafredo Zanetti Poland Sp. z.o.o. also launched a supplier evaluation process in 2017, which integrates the requirements relating to social issues like quality, ethics, the environment, hygiene and labour rights.



CERTIFICATIONS, HUMAN RIGHTS, SOCIAL COMMITMENT: THE KEY EXPERIENCES OF OPERATING COMPANIES

The monitoring and assessment of supplier performance in relation to quality, sustainability, traceability and the protection of human rights in the supply chain is delegated to individual companies, in the scope of direct trade relations with their respective suppliers. Similarly, purchases of raw material certified according to internationally recognised sustainability standards, such as Organic, Fairtrade, Rainforest Alliance and UTZ are entrusted directly to individual production companies.

Strong working relationships with the leading international green coffee traders represent one of the strengths of supply chain management, based on shared practices and principles. Specifically, Cofiroasters requires all suppliers to sign their procurement guidelines that include – in addition to commercial terms and product quality – references to workers' rights, food safety standards and compliance with local legislation.

FAIRTRADE AND ORGANIC: THE APPROACH ADOPTED BY GROUP COMPANIES

For over 25 years, Tiktak/Segafredo Zanetti Nederland BV has been producing and packaging coffee under the **Fairtrade** certification mark, representing one of the most "complete" certifications regarding the protection of farmers. Other companies in the Group, like Brodie Merlose Drysdale & CO Ltd, which has been marketing Fairtrade coffee since 1998, and Meira Oy Ltd are especially active in this area.

Meira Oy Ltd has been producing organic and fair trade coffee since 1999, and also holds certification to produce Rainforest and UTZ coffee. Furthermore, it has set a target to significantly increase its supply percentage of green coffee certified in terms of international sustainability standards, to reach 25% percent by 2018, with aim of 100% by 2022.

HUMAN RIGHTS OVERSIGHT BY MASSIMO ZANETTI BEVERAGE USA INC.

Human rights falls within the scope of the performance evaluation conducted on suppliers by Massimo Zanetti Beverage USA Inc.

Specifically, green coffee suppliers in developing countries are required to submit their "**Child Labor Certification**", which confirms that they subscribe to the most common work standards applicable to working practices and conditions.

BONCAFÉ INTERNATIONAL PTE LTD AND JAVA MOUNTAIN COFFEE FOR SUSTAINABLE DEVELOPMENT

In 2017, Boncafé International Pte Ltd became the distributor for Asia of **Java Mountain Coffee**, an Indonesian social enterprise that aims to support more than 1 million women farmers and to plant 3 million new coffee seeds resistant to climate change by 2030. With every sale, a contribution will be made to the **Women's Empowerment Innovation Fund**, a fund focusing on social and environmental development and providing support to the women employed in the cooperative.

Boncafé International Pte Ltd also announced that it subscribes to the **Sustainable Coffee Challenge**, a programme involving the leading companies in this sector, with the objective of making coffee the first sustainable agricultural product in the world.

COFFEE SUSTAINABILITY CERTIFICATIONS

THE KEY FIGURES

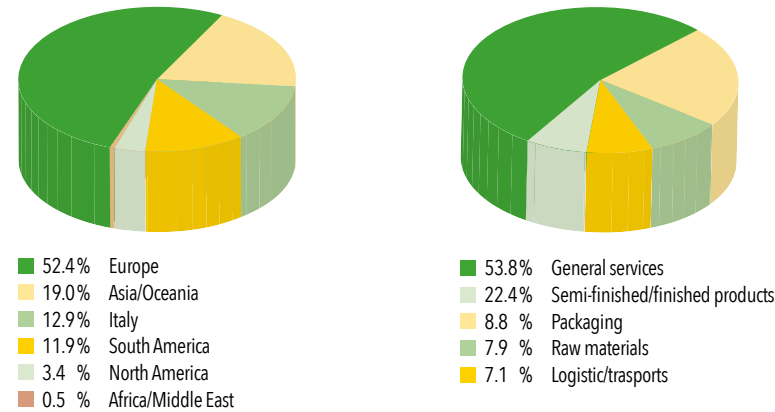
In 2017, more than 3,400 suppliers serviced companies in the MZB Group, up by 200 units (+ 6.2%) compared to the figure in 2016. General services account for more than half of total suppliers (53.8%), followed by suppliers of finished products and semi-finished products (22.4%), packaging (8.8%) and coffee and food raw materials (7.9%). Most suppliers originate in Europe (52.4%), Asia (19.0%) and Italy (12.9%). [GRI 102-9]

With specific reference to the supply of green coffee, a 4% drop in purchases was recorded between 2016 and 2017, going from 154,317 to 148,236 tons, due to the combined effects of the reduction in volumes bought and fluctuation in inventory volumes. An increase in the proportion of Arabica coffee was seen in 2017, rising from 62.9%

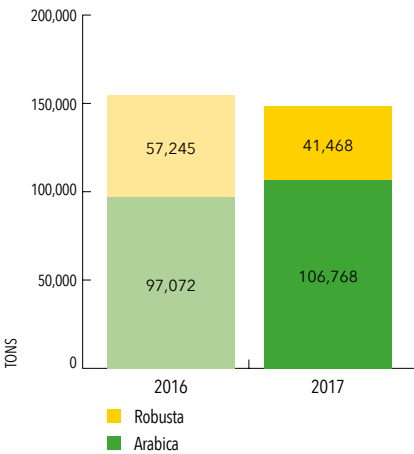
in 2016 to 72% in 2017, and originating from Central and South America, in particular Brazil, Colombia and Honduras. 73% of Robusta quality coffee is purchased from Asian countries, particularly from Indonesia and Vietnam. The category "Others" includes the countries where the Group receives supplies of less than one thousand tons*.

*Specifically, supply quotas below one thousand, include, for the Arabica, El Salvador in Central America, Laos, Papua New Guinea and Thailand in South-East Asia and the Congo, Malawi, Rwanda, Tanzania, Uganda and Zambia in Africa; whereas the Robusta quota includes India, Laos and Thailand in South-East Asia, Ivory Coast, Madagascar, Tanzania and Togo in Africa and other countries in Central and South America that are currently not traceable.

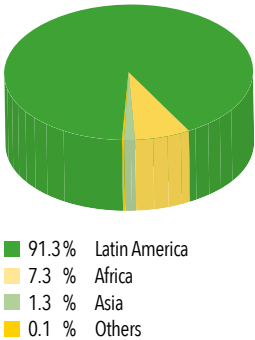
SUPPLIERS, ACCORDING TO PRODUCT TYPE AND ORIGIN, 2017



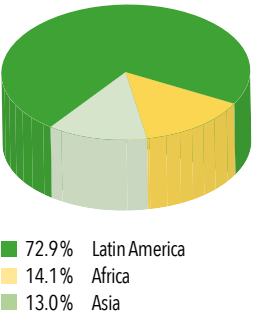
COFFEE SUPPLIED, ACCORDING TO QUALITY AND ORIGIN



Arabica coffee



Robusta coffee



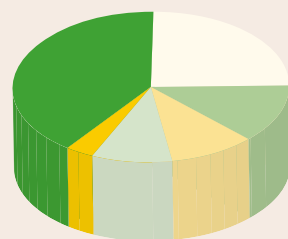
Note: It should be noted that for 2016, the coffee supplied by Meira Oy Ltd only refers to the period May-December. The total of all Meira Oy production for 2017 is 9% of the Group's overall purchases.



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

Two assessments on human rights were conducted among companies in the Group during 2017. Specifically, Meira Oy Ltd has set up a dedicated team that began an internal assessment in August to confirm whether human rights are respected. Segafredo Zanetti S.p.A. was subject-

ed to an audit by an international customer operating in the catering sector, to check whether the company complied with social responsibility standards. This audit, which also covered the protection of human rights, had a positive outcome.[GRI 412-1]



- 40.2% Rainforest Alliance
- 24.7% UTZ
- 12.4% Fairtrade
- 10% Organic
- 9.4% Other certifications
- 3.3% Fairtrade Organic

During 2017, purchases of coffee certified according to the above-mentioned international sustainability standards increased by 18% in respect of the total, going from 5.8% to 6.9%. [GRI FP2]

Note: It should be noted that for 2016, the coffee supplied by Meira Oy Ltd only refers to the period May-December. The total of all Meira Oy production for 2017 is 9% of the Group's overall purchases.

STANDARD		CERTIFIED COMPANY
Organic  	Certification standard for agricultural raw materials, which guarantees that they originate from supply chains where the principles of organic farming have been implemented. For companies operating in Europe, the rules formalising the characteristics of organic farming are defined by European Community legislation, whereas in the USA, the National Organic Programme (NOP) is applicable.	Massimo Zanetti Beverage USA Inc. Meira Oy Ltd. Tiktak / Segafredo Zanetti Nederland BV Segafredo Zanetti Poland Sp.z.o.o. Distribuidora Caf� Monta�a S.A.
Fairtrade 	The certification guarantees that products bearing the Fairtrade certification mark have been created whilst respecting workers' rights in Asia, Africa, Latin America and have been purchased in terms of fair trade criteria.	Distribuidora Caf� Monta�a S.A. Massimo Zanetti Beverage USA Inc. Brodie Merlose Drysdale & CO Ltd. Meira Oy Ltd. Tiktak / Segafredo Zanetti Nederland BV
UTZ 	The standard is based on principles such as transparency of business practices, traceability of raw materials and compliance with the conventions of the International Labour Organization (ILO).	Distribuidora Caf� Monta�a S.A. Massimo Zanetti Beverage USA Inc. Segafredo Zanetti (Brazil) Com. distr. de Caf� S.A. Boncaf� (Thailand) Ltd Meira Oy Ltd.
Rainforest Alliance 	The standard is based on 9 principles: the protection of local flora and fauna, the protection of ecosystems, soil protection, protection of water resources, the fair treatment of workers and good working conditions, good relations within the community, integrated management of waste and pesticides, monitoring and pacification.	Distribuidora Caf� Monta�a S.A. Massimo Zanetti Beverage USA Inc. Segafredo Zanetti (Brazil) Com. distr. de Caf� S.A. Brodie Merlose Drysdale & CO Ltd. Tiktak / Segafredo Zanetti Nederland BV Segafredo Zanetti France S.A.S. Segafredo Zanetti S.p.A.





**EMPLOYEE
RELATIONS**

4.



Segafredo
ZANETTI

4.1 THE ISSUES, RISKS AND POLICIES

Managing people in the Massimo Zanetti Beverage Group is directed at **protecting diversity and equal opportunities** and at **health and safety in the workplace**, as well as training and professional development.

In a constantly evolving labour market, the Group adopts a set of corporate policies to maintain knowledge and skills in-house, which could potentially be undermined by high staff turnover or the loss of key figures. Specifically,

the identification of job profiles and definition of a remuneration model are two factors which the Group believes could have a direct impact on achieving the objectives set out in the strategic plan.

The significant geographical diversification of the Group's companies means that MZBG is subject to different regulatory pressures on the issues of health and safety in the workplace.

MZBG ensures compliance with international and national labour and occupational health and safety legislation when managing its employees in all the countries where it operates. The Group's commitment towards people management focusing on their protection and growth is expressed in the Code of Ethics. Besides these, there are also certain specific policies implemented by the major production companies, such as Massimo Zanetti Beverage USA Inc., Segafredo Zanetti France S.A.S. and Meira Oy Ltd.

MANAGING PEOPLE: OPERATING COMPANIES MAIN POLICIES

MASSIMO ZANETTI BEVERAGE USA INC.

The Company has detailed its commitment to diversity, transparency and the effective operation of its organisation in a series of policies on equal opportunities, selection practices, and the recruitment and promotion of talent. In addition, MZB USA has defined three basic action guidelines for managing people: health and safety, community support and the creation of a pervasive corporate culture.

SEGAFREDO ZANETTI FRANCE S.A.S.

The 2016-2020 Segafredo Zanetti France S.A.S. sustainability plan 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. In addition, as testimony to their commitment to protect and promote diversity and recognise the personal qualities of individuals, in October 2015, Segafredo Zanetti France signed the Charte de la Diversité (<http://www.charte-diversite.com>), a voluntary initiative by certain French companies to promote all forms of diversity.

MEIRA OY LTD

With its **Equal Opportunities Plan**, Meira Oy Ltd aims to encourage and improve gender equality in order to avoid any type of discrimination. The plan includes high-level objectives and guiding principles.



4.2_ THE ORGANISATION AND MANAGEMENT MODEL



MANAGING PEOPLE: OPERATING COMPANIES KEY APPROACHES AND EXPERIENCES

Human resources management and the promotion of health and safety in the workplace are overseen by individual companies in the Group, with departments committed to guaranteeing compliance with the values expressed in the Code of Ethics. These functions are also dedicated to the prevention and monitoring of risks in the workplace and the implementation of specific measures to mitigate these risks. Aspects related to health and safety at factories are managed directly by production managers.

Furthermore, every company has also developed a series of internal systems to monitor the corporate climate and to evaluate and manage skills and training.

MEIRA OY LTD

Every two years, Meira Oy Ltd conducts a people survey to gather information on employees so as to develop a work plan based on the feedback received. The results are shared in different working groups according to category.

Meira Oy Ltd also holds a contest every year to reward the best and most innovative ideas, in order to encourage employees to propose initiatives that could improve the company and generate economic savings.

MASSIMO ZANETTI BEVERAGE USA INC.

Massimo Zanetti Beverage USA Inc. 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.

SEGAFREDO ZANETTI POLAND SP.Z.O.O.

The Individual Objectives System introduced by Segafredo Zanetti Poland Sp.z.o.o. in 2016 evaluates the performance of certain key figures.

MASSIMO ZANETTI BEVERAGE IBERIA

Massimo Zanetti Beverage Iberia S.A. 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.

4.3_ THE KEY FIGURES

At the end of 2017, the employees of Group companies falling within the scope of this non-financial statement* totalled 2,875. The main distribution in geographic terms is in Europe (47%), followed by Asia and the Americas. [GRI 102-8] The breakdown of employees according to gender shows a preponderance of male workers, representing 63% of the workforce at the end of 2017. [GRI 405-1]

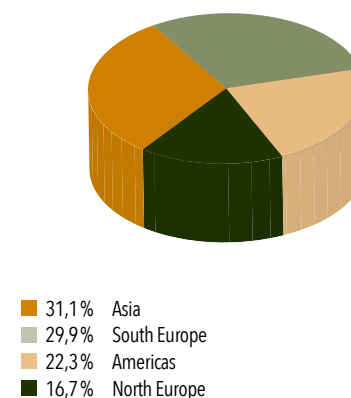
EMPLOYEES, ACCORDING TO TYPE OF CONTRACT AND GENDER, NUMBER

PERMANENT CONTRACT	GENDER	2016	2017
Open-ended contract employees	Men	1,480	1,651
	Women	1,055	900
Full-time	Men	1,394	1,580
	Women	975	836
Part-time	Men	19	19
	Women	51	42
Total permanent contract employees		2,535	2,551

TEMPORARY CONTRACT	GENDER	2016	2017
Temporary contract employees	Men	150	169
	Women	139	155
Full-time	Men	91	87
	Women	39	43
Part-time	Men	59	63
	Women	100	111
Total temporary contract employees		289	324

Total employees (permanent and temporary)		2.824	2.875
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Employees by geographic area



* Reference is made to the Appendix of this document for a list of operating companies falling within the scope of reporting.

Note: With reference to the GRI 102-8 and GRI 405-1 indicators, it should be noted that there is no data for 2016 and 2017 for Kauai Coffee Company LLC. The revenue of the latter in 2017 accounted for 1.2% of the Group's revenue.



EMPLOYEES, ACCORDING TO CATEGORY, GENDER AND AGE GROUP

MANAGERS AND EXECUTIVES

GENDER	AGE	2016	2017
Men	< 30 y.o.	2	3
	30 ≤ x ≤ 50 y.o.	116	130
	> 50 y.o.	109	108
Total men		227	241
Women	< 30 y.o.	4	3
	30 ≤ x ≤ 50 y.o.	115	109
	> 50 y.o.	25	22
Total women		144	134
Total Managers and Executives		371	375

WHITE COLLAR STAFF

GENDER	AGE	2016	2017
Men	< 30 y.o.	74	104
	30 ≤ x ≤ 50 y.o.	371	444
	> 50 y.o.	137	153
Total men		582	701
Women	< 30 y.o.	105	96
	30 ≤ x ≤ 50 y.o.	297	392
	> 50 y.o.	122	123
Total women		524	302
Total white collar staff		1,106	1,222

BLUE-COLLAR WORKERS

GENDER	AGE	2016	2017
Men	< 30 y.o.	211	181
	30 ≤ x ≤ 50 y.o.	520	465
	> 50 y.o.	240	465
Total men		971	877
Women	< 30 y.o.	119	135
	30 ≤ x ≤ 50 y.o.	167	174
	> 50 y.o.	90	91
Total women		376	400
Total blue-collar workers		1,347	1,278

TRAINING, BROKEN DOWN BY GENDER AND JOB CLASSIFICATION, IN HOURS

FORMAZIONE PER CATEGORIA	2016	2017
Training provided to Managers and Executives	1,417	3,615
Training provided to white collar staff	7,849	10,084
Training provided to blue collar workers	19,470	16,388

FORMAZIONE PER GENERE	2016	2017
Training provided to women	5,513	10,507
Training provided to men	23,172	19,430

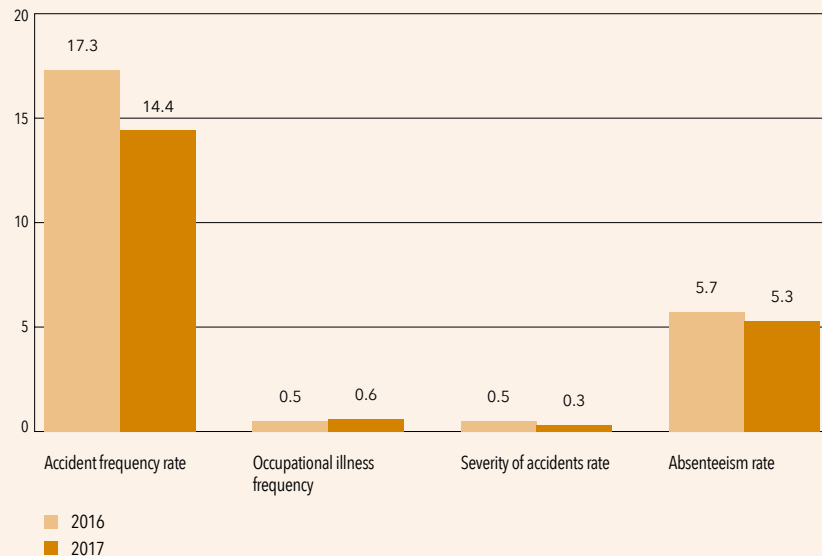
Average training per employee	12.6	10.4
Average training per employee _ women	6.2	10.0
Average training per employee _ men	16.8	10.7

In so far as personnel skills are concerned, the average training per employee in 2017 was 10.4 hours per person. [GRI 404-1]

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

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

INJURY AND ABSENTEEISM RATE INDICES



With regard to the occupational health and safety of workers, the rate of workplace accidents came down in 2017, whereas other accident indices remained substantially the same.

[GRI 403-2]

INJURY RATE INDICES, BY YEAR

	2016		2017	
	MEN	WOMEN	MEN	WOMEN
Injury rate	25.04	5.83	19.01	10.71
Americas	38.41	0.00	22.93	6.90
Asia and Oceania	4.69	1.18	7.47	1.15
Northern Europe	19.34	38.86	22.45	28.77
Southern Europe	42.95	9.81	25.88	33.51
Occupational diseases frequency rate	0.40	0.58	0.63	0.56
Americas	0.00	0.00	0.00	0.00
Asia and Oceania	0.00	0.00	1.07	0.00
Northern Europe	0.00	0.00	0.00	0.00
Southern Europe	2.26	3.27	1.29	3.35
Lost day rate	0.63	0.18	0.38	0.14
Americas	0.13	0.18	0.24	0.07
Asia and Oceania	0.16	0.00	0.03	0.00
Northern Europe	0.04	0.82	0.51	0.23
Southern Europe	2.12	0.28	0.89	0.54
Absenteeism rate	6.63	4.24	5.92	4.26
Americas	10.57	10.55	8.86	9.44
Asia and Oceania	1.16	0.54	0.89	0.43
Northern Europe	10.61	1.97	11.80	2.24
Southern Europe	5.66	6.96	4.59	7.92

With regard to GRI indicator 403-2, it should be noted that the data for Germany is not included; in the 2017 this corresponded to 1.5% of staff on a like-for-like basis. In addition, the figures for 2016 do not include those for Malaysia and the days of absenteeism for Brodie Merlose Drysdale & CO Ltd, equivalent to about 3% of the total staff on a like-for-like basis. The 2016 MZB USA workplace accident figures do not differentiate between gender, so the values were attributed to the male category. Lost days were calculated as lost "calendar" days and not working days.

CONTRIBUTION TO THE COMMUNITY

Creating value for the communities in which the Group operates, by contributing to their cultural and sporting life and promoting social welfare is an element that all companies in the MZB Group have in common, and which underlies the personal and professional history of Massimo Zanetti.

The Non-Profit **Zanetti Foundation** ("Fondazione Zanetti Onlus") is testimony to this commitment. Founded in 2007 by Massimo Zanetti himself and his children Laura and Matteo, the Foundation is an independent organisation with the stated mission of helping children in difficulty through dedicated projects, which are often carried out in cooperation with local non-governmental organisations. The Fondazione Zanetti Onlus supports and promotes initiatives at national and international level that promote education, food and health assistance, providing shelter and psychological support, especially for the benefit of children living in developing countries.

The companies in the Group are also active in their respective communities, implementing dedicated projects such as those shown below.

"MZB way to care"

"MZB way to care" is the programme providing support to the **MZB USA** communities. Every year, the Company evaluates the needs and activities of organisations operating in local communities, and provides its own financial contribution to promote childcare and assistance to the homeless.

Boncafé (East Malaysia) Sdn Bhd

Boncafé (East Malaysia) Sdn Bhd has been promoting a healthy lifestyle since 2015, through the promotion of sport, with a strategic partnership in place with the Standard Chartered Kuala Lumpur Marathon, as the official supplier of coffee.

Massimo Zanetti Beverage Iberia S.A.

Massimo Zanetti Beverage Iberia S.A. contributes to the causes and humanitarian and social projects promoted by the Fondazione Zanetti Onlus and Portuguese League against Cancer.

The Company also supports various initiatives such as the Lisbon Marathon and Half Marathon and World Billiards Championships.

Segafredo Zanetti Poland Sp.z.o.o.

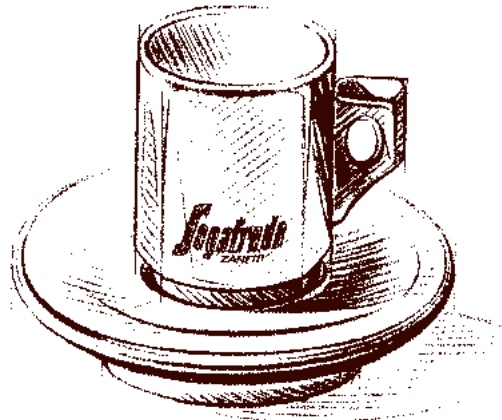
Segafredo Zanetti Poland Sp. z.o.o. is committed to providing financial support to the Cardiology Surgery Centre in Zabrze in order to improve its services.

With the aim of promoting and developing cinematographic art in the country, it supports the Polish Film Festival in Gdynia.

Segafredo Zanetti S.p.A.

With its commitment to sport, in 2016, Segafredo Zanetti S.p.A. for the fifth consecutive year, confirmed its position as Official Partner to the major sporting event of the Barclays ATP World Tour finals (Association of Tennis Professionals), in which the top 8 players in the world classified in ATP rankings compete.

The company also continues to support the three-year sponsorship of Trek Factory Racing as co-title sponsor, changing the name of the UCI World, the world circuit organised by the International Cycling Union, to Trek-Segafredo.





**MANAGING
ENVIRONMENTAL
IMPACTS**

5.



5.1_ THE ISSUES, RISKS AND POLICIES



The main environmental issues for MZBG are linked to **energy consumption** in the roasting combustion process, **greenhouse gas emissions** directly related to energy consumption and, finally, to the **generation of waste** during production and the packaging of finished products. In terms of operations, the consumption of water is limited solely to the cooling phase for roasted beans, and its use in offices and is therefore not relevant for environmental purposes. The generation of pollutant emissions similarly has little significance in that it occurs during the roasting phase, which is governed by specific regulations and differentiated in relation to the relevant national legislation.

The Group's overall monitoring of these matters focuses primarily on complying with applicable legislation, in order to avoid the risk of infringing any environmental regulations, with consequent repercussions for the Group's reputation and economic, asset and financial position. The commitment to comply with regulations and to protect the environment is set out in the Group's Code of Ethics. Furthermore, every company also has specific policies in place to ensure compliance with environmental issues.

ENVIRONMENTAL POLICIES: KEY EXPERIENCES OF OPERATING COMPANIES

SEGAFREDO ZANETTI FRANCE S.A.S.

Segafredo Zanetti France S.A.S. sustainability plan for 2016-2020 aims to reduce the carbon footprint generated by logistic operations, waste management and energy supply. The plan aims to recover 100% of waste generated by 2020 and to encourage the use of clean, renewable energy, promoting the choice of low-carbon emission solutions in the logistics sector.

BRODIE MERLOSE DRYSDALE & CO LTD

The environmental policy of Brodie Merlose Drysdale & CO Ltd focuses on minimising waste, based on reusing and recycling packaging materials and on energy efficiency, by using low-consumption roasting machinery.

MEIRA OY LTD

Meira Oy Ltd has set several targets in its ISO 14001 certified environmental management system, aiming to reduce waste and maximise the recyclability of waste, as well as reducing the consumption of energy and materials.



5.2_ THE ORGANISATION AND MANAGEMENT MODEL

The management of environmental aspects and regulatory compliance is the responsibility of individual companies in the Group. Specifically, six production companies (Segafredo Zanetti S.p.A., La San Marco S.p.A., Segafredo Zanetti Poland Sp. z o.o., Massimo Zanetti Beverage Vietnam Company Ltd and Boncafé (Thailand) Ltd and Meira Oy Ltd) have adopted a structured environmental management system. Among these, Meira Oy Ltd in particular has an environmental management system certified according to the international ISO 14001 standard.

WASTE MANAGEMENT: KEY APPROACHES AND EXPERIENCES OF OPERATING COMPANIES

THE REDUCE, REUSE, RECYCLE APPROACH

Boncafé International Pte Ltd has adopted an approach based on the three "Rs": Reduce, Reuse, Recycle, which has seen the implementation of a series of initiatives starting in 2008. The results achieved are reported in the section on performance indicators.

REUSING WASTE MATERIALS

Waste from roasted coffee is reintroduced into a new production process to create organic manure and agricultural fertilizer. This approach is pursued by Massimo Zanetti Beverage USA Inc., Massimo Zanetti Beverage Vietnam Company Ltd, Segafredo Zanetti (Brazil) Com. distr. de Café S.A. and Segafredo Zanetti Poland Sp. z o.o.

ECO-SUSTAINABLE CAPSULES

San Marco capsules are individually packaged in a protected atmosphere, to better preserve the aroma of the coffee; they are EcoPure®: once used, they become unsorted biodegradable waste.

PURPOD100™ is a single-dose coffee capsule by Massimo Zanetti Beverage USA Inc., certified as 100% compostable by the Biodegradable Products Institute (BPI), decomposing in less than 100 days in composting plants. This type of capsule is produced using over 90% renewable material, while the ring on the capsule is made from the residue of coffee.

ENVIRONMENTAL AWARENESS CAMPAIGN

In 2016, **Distribuidora Café Montaña S.A.** launched a partnership with some local schools, introducing a series of information programmes on best practices for recycling, reducing and reusing waste. In addition, so as to increase environmental awareness among the youth, it provided support for educational activities such as cleaning rivers or areas that are vulnerable to waste contamination..

AWARD FOR THE ENVIRONMENTAL COMMITMENT SHOWN BY MASSIMO ZANETTI BEVERAGE USA INC.

In 2017, the Virginia Department for environmental quality awarded a prize to Massimo Zanetti Beverage USA Inc. for the significant results achieved in sustainable production practices and for its leadership in the sector, seen with the launch of the single dose PURPOD100™ pod.



5.3_ THE KEY FIGURES

In 2017, MZBG recorded total energy consumption of approximately 2.1 million GJ, down by 4.6% compared to 2016. [GRI 302-1]

There was a decrease overall in the use of electricity, whereas energy consumption for heating and cooling and total consumption of fuels remained constant over the two-year period. In 2017, 7.4% of electricity came from renewable sources.

ENERGY CONSUMPTION, IN GJ

DIRECT CONSUMPTION	2016	2017
Petrol	32,383	33,669
Diesel	73,673	75,543
Natural gas	300,151	297,003
LPG	25,361	25,539
Total direct consumption	431,569	431,754

INDIRECT CONSUMPTION	2016	2017
Electricity	1,506,718	1,422,041
Electricity from renewable sources	130,085	113,136
Energy for heating	148,912	148,778
Energy for cooling	1,146	1,150
Total indirect consumption	1,786,860	1,685,105

Total	2,218,429	2,116,858
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With reference to GRI indicator 302-1, it should be noted that:

- I) the 2016 figures relating to the consumption of electricity and petrol for Boncafé (Thailand) Ltd only refer to the factory;
- II) the company car fleet fuel for 2016 in respect of Meira Oy Ltd is not listed;
- III) the figure related to electricity and natural gas consumption for 2017 for Segafredo Zanetti S.p.A. refers to the period between January and November.

The energy consumption data 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 2017, global emissions came down slightly from 16,730,235 tons of CO₂eq in 2016 to 16,630,741 tons of CO₂eq.

GREENHOUSE GAS EMISSIONS, IN CO₂EQ TONS

DIRECT EMISSIONS	2016	2017
Petrol consumption by the Group's fleet of vehicles	2,440	2,528
Diesel consumption	5,350	5,460
Natural gas consumption	16,701,653	16,602,556
LPG consumption	1,617	1,632
Total direct emissions	16,711,060	16,612,176

INDIRECT EMISSIONS	2016	2017
Electricity consumption	17,936	17,343
Energy consumption for heating	1,221	1,203
Energy consumption for cooling	19	19
Total indirect emissions	19,175	18,564

Total emissions (direct and indirect)	16,730,235	16,630,741
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Note: The CO₂eq tons include the electricity produced from renewable energy sources in France, corresponding to 3,142,655 kWh.



During 2017, MZBG produced 8,277.7 tons less waste, down by more than 5% compared to the 8,746.1 tons recorded in 2016. [GRI 306-2] The percentage of non-hazardous waste for the period under consideration accounts for almost the entire total of waste produced (99.7%).

TOTAL WASTE PRODUCED, IN TONS

HAZARDOUS WASTE	2016	2017
of which sent for re-use	2.60	2.34
of which sent for incineration	0.83	0.91
of which sent for recycling	6.46	9.50
of which sent for composting	0.01	0.01
of which held in storage	2.44	3.54
of which sent for landfill	-	0.30
Total hazardous waste	12.34	16.59

NON-HAZARDOUS WASTE	2016	2017
of which sent for re-use	383.8	153.0
of which sent for recovery (including energy recovery)	639.0	637.6
of which sent for incineration	2,578.5	2,338.3
of which sent for recycling	1,849.2	2,007.3
of which sent for composting	2,781.9	2,529.4
of which held in storage	200.0	263.0
of which sent for landfill	294.9	332.4
other types of disposal	6.4	-
Total non-hazardous waste	8,733.7	8,261.1

Total waste (hazardous and non-hazardous)	8,746.1	8,277.7
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With reference to GRI indicator 306-2, it should be noted that figures for MZB Poland are not included, as it was not possible to quantify the waste in tons, and likewise in relation to Brodie Merlose Drysdale & CO Ltd (only estimates were possible in this respect).

In 2017, MZBG utilised approximately 21,600 tons of material for the packing of products, down slightly compared to the previous year. Overall in 2017, the consumption of packaging materials originating from renewable resources* – namely paper and cardboard – accounted for 31% of the total. [GRI 301-1]

PACKAGING MATERIAL, BROKEN DOWN BY TYPE, IN TONS

MATERIAL	2016	2017
Paper	1,469.8	1,645.7
Cardboard and corrugated cardboard	5,018.4	4,975.4
Plastic	3,383.0	3,400.4
Glass	707.0	669.0
Aluminium	437.3	718.1
Tinplate	8,646.9	7,684.3
Bonded materials (paper and aluminium)	106.4	134.1
Bonded materials (plastic and aluminium)	701.9	700.1
Wood (including pallets)	321.2	379.5
Flexible film (plastic)	753.0	872.0
Jute	102.0	148.0
Reels	60.6	69.8
Steel	0.2	0.3
Other materials (mostly plastic)	182	229.5
Total material	21,889.6	21,626.3

* Renewable material is intended as material deriving from abundant resources that are quickly replenished by ecological cycles or agricultural processes, so that the services provided by these and other related resources are not under threat and remain available for future generations.





FOCUS:

THE RESULTS OF THE REDUCE, REUSE, RECYCLE APPROACH FOR BONCAFÉ INTERNATIONAL PTE LTD

Reduce: Boncafé International Pte Ltd saved around 7,495.2 Kg of polyethylene, reducing the thickness of packaging materials by about 14%. The company also implemented a project to reduce the packaging for coffee machines, achieving a 28% decrease in the material used for packaging. In addition, the thickness of the filter sealant paper for coffee bags also came down (-17%).

Reuse: over 20,000 polyethylene bags were reused. 13,375 (67%) of these bags were distributed through the supply chain and 4,800 (24%) reused by partnering with supermarket chains like Shop N Save, NTUC and Seng Shiong.

Recycle: various measures have been put in place at production sites to recycle wooden pallets, paper, cardboard and jute bags; the latter are reutilised by suppliers operating in the construction industry. In addition, a recycling project for the silver film (which produces waste of about 900 Kg a month) made it possible to reuse this material to produce energy (biomass) in support of the roasting process or as a water filter.

In 2013, Boncafé International Pte Ltd also began reducing the amount of polyethylene-aluminum used to package ground coffee. Working in conjunction with suppliers, the company recently confirmed that it will be reducing the packaging thickness and length from 120 to 100 microns, and from 31.5 to 28 cm respectively.



**METHODOLOGY
NOTES**

6.



Methodology note

This document represents the first edition of the MZBG non-financial statement. The information and data refer to 2017 and the performance trends for the two-year period 2016-2017, where available.

The scope of reporting for all non-financial information includes 24 of the 61 companies controlled by the Group in Italy and abroad, of which 17 are production and 6 commercial companies (see Appendix – List of MZBG companies included in the scope of the NFS), established on the basis of a criterion of dimensional relevance in financial and personnel terms. The exceptions to this scope are specifically listed in the document.

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

Perimeter

The companies considered in this document represent:

- 87.0% of the Group employees as at December 31, 2017
- 95.2% of the Group consolidated revenues as at December 31, 2017

GRI STANDARDS

GRI STANDARDS		
GRI 205 – Anti-Corruption	GRI 205-3	Total number of corruption incidents
GRI 206 – Anti-competitive behaviour	GRI 206-1	Legal action related to anti-competitive behaviour, anti-trust and monopoly practices
GRI 301 – Materials	GRI 301-1	Materials used by weight or volume
GRI 302 – Energy	GRI 302-1	Energy consumption within the organisation
GRI 305 – Emissions	GRI 305-1	Direct emissions of greenhouse gases
	GRI 305-2	Indirect emissions of greenhouse gases
GRI 306 – Effluents and waste	GRI 306-2	Total waste by type and disposal methods
GRI 403 – Occupational Health and Safety	GRI 403-2	Rate of workplace accidents, occupational diseases, working days lost and absenteeism, and total number of deaths
GRI 404 – Training and education	GRI 404-1	Average hours of training per year per employee
GRI 405 – Diversity and equal opportunity	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	Activities that were assessed on the basis of human rights or that impacted on human rights
GRI 417 – Marketing and labelling	GRI 417-2	Cases of non-compliance regarding information and labelling of products and services
	GRI 417-3	Cases of non-compliance with regulations and voluntary codes referring to marketing communications, including advertising, promotions and sponsorship
GRI 419 – Socioeconomic compliance	GRI 419-1	The extent of fines and number of significant fines for having violated laws and regulations in the economic and social area

GRI FOOD PROCESSING SECTOR SUPPLEMENT		
Procurement practices	GRI FP2	Percentage of volumes purchased that have been verified according to a responsible, credible and internationally recognised production standard, divided by standard
Consumer health and safety	GRI FP5	Percentage of volumes produced at sites certified by an accredited third party according to internationally recognised food management standards

OTHER INDICATORS	
Volume of coffee purchased	Volumes of purchases by coffee quality and origin

The scope of the impact for the aspects forming the subject of reporting is provided below. [GRI 102-46]

ASPETTI GRI	PERIMETRO DELL'IMPATTO		LIMITAZIONE AL PERIMETRO DI RENDICONTAZIONE	
	INTERNAL	EXTERNAL	INTERNAL	EXTERNAL
GRI 205 – Anti-Corruption	X	Customers, Suppliers	–	–
GRI 206 – Anti-competitive behaviour	X	Competitors	–	–
GRI 301 – Materials	X	Suppliers	–	–
GRI 302 – Energy	X	Final consumers	–	–
GRI 305 – Emissions	X	Company/local communities	–	–
GRI 306 – Effluents and waste	X	Company/local communities	–	–
GRI 403 – Health and safety in the workplace	X	Final consumers, Suppliers	–	–
GRI 404 – Training and education	X	–	–	–
GRI 405 – Diversity and equal opportunities	X	–	–	–
GRI 412 – Human rights assessment	X	Suppliers	–	–
GRI 417 – Marketing and labelling	X	Suppliers	–	–
GRI 419 – Socio-economic compliance	X	–	–	–
GRI Food Processing Sector Supplement			–	–
Procurement practices	–	–		
Consumer health and safety	X	Final consumers		
Other indicators			–	–
Volume of coffee purchased	X	Suppliers	–	

GRI CONTENT INDEX

[GRI 102-55]

GRI 102: GENERAL DISCLOSURES 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE	OMISSION
102-8	Information on employees and other workers	40		
102-9	Supply chain	34		
102-15	Key impacts, risks and opportunities	14		
102-46	Defining Report content and topic Boundaries	55		
102-47	List of material topics	17		
102-55	GRI Content Index	56		
102-56	External assurance	64		

MATERIAL TOPICS

ECONOMIC PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	8-9, 16-17	
103-2	The management approach and its component	8-9	
103-3	Evaluation of the management approach	8-9	

GRI 201: ECONOMIC PERFORMANCE 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
201-1	Direct economic value generated and distributed	8-9	

ANTI-CORRUPTION

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20	
103-2	The management approach and its component	20-22	
103-3	Evaluation of the management approach	22	

GRI 205: ANTI-CORRUPTION BEHAVIOUR

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
205-3	Confirmed incidents of corruption and actions taken	22	

ANTI-COMPETITIVE BEHAVIOUR

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22	
103-2	The management approach and its component	22-23	
103-3	Evaluation of the management approach	22	

GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	22	



MATERIAL TOPICS

ENVIRONMENTAL PERFORMANCE INDICATORS

RAW MATERIALS

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
103-1	Explanation of the material topic and its Boundary	16-17, 46-47	
103-2	The management approach and its component	13, 17, 31, 46-47	
103-3	Evaluation of the management approach	46-47	

GRI 301: RAW MATERIALS 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
301-1	Materials used by weight or volume	46-47, 50	

ENERGY

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
103-1	Explanation of the material topic and its Boundary	16-17, 46-47	
103-2	The management approach and its component	46-47	
103-3	Evaluation of the management approach	47	

GRI 302: ENERGY 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
302-1	Energy consumption within the organisation	48	

EMISSIONS

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
103-1	Explanation of the material topic and its Boundary	16-17	
103-2	The management approach and its component	47	
103-3	Evaluation of the management approach	47	

GRI 305: EMISSIONS 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
305-1	Direct (Scope 1) GHG emissions	49	
305-2	Energy indirect (Scope 2) GHG emissions	49	

WASTE AND EFFLUENTS

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
103-1	Explanation of the material topic and its Boundary	16-17, 46	
103-2	The management approach and its component	47	
103-3	Evaluation of the management approach	47	

GRI 306: WASTE AND EFFLUENTS

GRI STANDARD	DISCLOSURE	PAG. N.	NOTA/ OMISSION
306-2	Waste by type and disposal method	50	

MATERIAL TOPICS

SOCIAL PERFORMANCE INDICATORS

HEALTH AND SAFETY IN THE WORKPLACE

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22, 38	
103-2	The management approach and its component	38-39	
103-3	Evaluation of the management approach	38-39	

GRI 403: HEALTH AND SAFETY IN THE WORKPLACE 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work related fatalities	42	

TRAINING AND EDUCATION

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22, 38	
103-2	The management approach and its component	38-39	
103-3	Evaluation of the management approach	38-39	

GRI 404: TRAINING AND EDUCATION 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
404-1	Average hours of training per year per employee	41	

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22, 38	
103-2	The management approach and its component	38-39	
103-3	Evaluation of the management approach	38-39	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
405-1	Diversity of governance bodies and employees	14, 40	

HUMAN RIGHTS ASSESSMENT

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22, 31-34	
103-2	The management approach and its component	31-34	
103-3	Evaluation of the management approach	31-34	

GRI 412: HUMAN RIGHTS ASSESSMENT 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
412-1	Operations that have been subject to human rights reviews or impact assessments	35	



MATERIAL TOPICS

SOCIAL PERFORMANCE INDICATORS

MARKETING AND LABELLING OF PRODUCTS

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22, 26	
103-2	The management approach and its component	26-27	
103-3	Evaluation of the management approach	26-27	

GRI 417: MARKETING AND LABELLING OF PRODUCTS 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
417-2	Incidents of non-compliance concerning product and service information and labelling	30	Please note that in addition to the information in Chapter 3, two fines on a very limited scale were imposed, which came to less than Euro 4,000 in total for Segafredo Zanetti Coffee System S.p.A. and Bon-café (Thailand) Ltd.
417-3	Incidents of non-compliance concerning marketing communications	30	

SOCIO-ECONOMIC COMPLIANCE

GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22	
103-2	The management approach and its component	20-22	
103-3	Evaluation of the management approach	20-22	

GRI 419: SOCIO-ECONOMIC COMPLIANCE 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
419-1	Non compliance with law and regulations in the social and economic area	23	

GRI-G4 SECTOR DISCLOSURE
FOOD PROCESSING
 ECONOMIC PERFORMANCE
 INDICATORS

PROCUREMENT PRACTICES
 GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22, 31-34	
103-2	The management approach and its component	31-34	
103-3	Evaluation of the management approach	31-34	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	35	

GRI-G4 SECTOR DISCLOSURE
FOOD PROCESSING
 SOCIAL INDICATORS

PRODUCT RESPONSIBILITY - CONSUMER HEALTH AND SAFETY
 GRI 103: MANAGEMENT APPROACH 2017

GRI STANDARD	DISCLOSURE	PAG. N.	NOTE/ OMISSION
103-1	Explanation of the material topic and its Boundary	20-22	
103-2	The management approach and its component	26-27	
103-3	Evaluation of the management approach	26-27	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	30	

GRI-G4 SECTOR DISCLOSURE
FOOD PROCESSING
 OTHER INDICATORS

-	DISCLOSURE	PAG. N.	NOTE/ OMISSION
	Volume of coffee purchased, by type and origin	34	



Calculation methods

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

Workplace accident indices

The methods used for calculating workplace accident indices are detailed below. The severity index was calculated as the ratio between the total number of working days lost and total number of workable hours* 1,000. It should be noted that working days lost are the calendar days lost due to the work accident as from the day after the accident.

The frequency index, on the other hand, corresponds to the ratio between the total number of workplace accidents with an absence exceeding one day and the total number of hours worked* 1,000,000.

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

Greenhouse gas emissions

The calculation for greenhouse gas emissions was done using the principles outlined in the GHG Protocol Corporate Accounting and Reporting Standard. Conversion and emissions factors used to calculate CO₂ emissions are shown in the tables below.

For direct emissions resulting from the consumption of natural gas and indirect energy emissions, the only greenhouse gas considered was CO₂. 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 MATTM (Ministry of the Environment and Protection of Land and Sea) provided in the standard national parameters tables (Tabelle parametri standard) for 2016 and 2017.

EMISSION FACTORS

CONSUMPTION	SOURCES OF EMISSION FACTORS
Natural gas	MATTM (Ministry of the Environment and Protection of Land and Sea), 2016 and 2017 national standard parameters table
Diesel Petrol LPG	DEFRA (Department of Environment, Food & Rural Affairs), 2016 and 2017 conversion factors
Electricity	Terna, international comparisons, 2015 In particular, the emission factors specific to the country, where these were available in the Terna Report. Alternatively, the emission factor for the continent was utilised. With reference to MZB Iberia, which includes Portugal and Spain, the more conservative emission factor relating to Portugal was used.





APPENDIX - LIST OF MZBG COMPANIES INCLUDED IN THE SCOPE OF THE NFD

COMPANY	COUNTRY	TYPE
Massimo Zanetti Beverage USA Inc.	USA	Production
Boncafé (Thailand) Ltd	Thailand	Production
Segafredo Zanetti France S.A.S.	France	Production
Massimo Zanetti Beverage Iberia U.S.A.	Portugal/Spain	Production
Segafredo Zanetti Espresso Worldwide Japan Inc.	Japan	Commercial
Segafredo Zanetti S.p.A.	Italy	Production
Kauai Coffee Company LLC	Hawaii	Production
Meira Oy Ltd	Finland	Production
Segafredo Zanetti Poland Sp.z.o.o.	Poland	Production
Segafredo Zanetti (Brazil) Com. distr. de Café S.A.	Brazil	Production
La San Marco S.p.A.	Italy	Production
Distribuidora Café Montaña S.A.	Costa Rica	Production
Boncafé International Pte Ltd	Singapore	Production
Segafredo Zanetti Austria Gmbh	Austria	Production
Segafredo Zanetti Australia Pty Ltd	Australia	Commercial
Boncafe Middle East Co LLC	United Arab Emirates	Commercial
Segafredo Zanetti Deutschland Gmbh	Germany	Commercial
Boncafé (East Malaysia) Sdn Bhd	Malaysia	Commercial
Tiktak/Segfredo Zanetti Nederland BV	Holland	Production
Brodie Merlose Drysdale & CO Ltd	Scotland	Production
Brulerie des Cafés Corsica SAS	Corsica	Production
Segafredo Zanetti Coffee System S.p.A.	Italy	Production
Massimo Zanetti Beverage Vietnam Company Ltd	Vietnam	Production



MASSIMO ZANETTI BEVERAGE GROUP SPA

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

FOR THE YEAR ENDED ON 31 DECEMBER 2017



Independent auditors' report on the non financial statement pursuant to article 3, paragraph 10 of Legislative Decree 254/2016 and to article 5 of Consob regulation 20267

To the Board of Directors of Massimo Zanetti Beverage Group SpA

Pursuant to article 3, paragraph 10 of the Legislative Decree 254 of 30 December 2016 (the "Decree") and article 5 of Consob Regulation 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Massimo Zanetti Beverage Group SpA and its subsidiaries (hereafter the "Group") for the year ended on 31 December 2017, in accordance with article 4 of the Decree, and approved by the Board of Directors on 28 February 2018 (hereafter the "NFS").

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

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Sustainability Reporting Standards", defined in 2016 by the GRI-Global Reporting Initiative (hereafter "GRI Standards"), and (limited to some indicators) the Sector Supplement "Food Processing" of the Sustainability Reporting Guidelines GRI-G4, identified by them as the reporting standard.

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

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

Auditors' independence and quality control

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



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

Auditors' responsibility

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

We conducted our engagement in accordance with "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements.

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

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

In particular, we have performed the following procedures:

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12579880153 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sordani Totti 1 Tel. 071232331 - Bari 70122 Via Abate Ginna 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0510486211 - Brescia 25123 Via Borgo Pietro Wahrer 23 Tel. 0309697501 - Catania 95129 Corso Italia 302 Tel. 0957332311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Focciopietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Venezia 4 Tel. 049873481 - Palermo 90141 Via Martirio Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 66127 Piazza Elvezio Trole 8 Tel. 0854543711 - Roma 00154 Largo Fochetti 29 Tel. 066790251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422666911 - Trieste 34125 Via Cesare Battisti 18 Tel. 040480781 - Udine 33100 Via Poscolle 43 Tel. 043223780 - Varese 21100 Via Albuzzi 43 Tel. 0332285030 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelambello 9 Tel. 0444393311

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With reference to such matters, we have carried out some validation procedures on the information presented in the NFS and some controls as described under point 5 below. understanding of the processes underlying the preparation, collection and management of the qualitative and quantitative material information included in the NFS.

In particular, we have held meetings and interviews with the management of Massimo Zanetti Beverage Group SpA and with the personnel of Segafredo Zanetti Italia SpA, Segafredo Zanetti France S.A.S., Massimo Zanetti Beverage USA Inc, and we have performed limited analysis and validation procedures, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

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

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

Conclusions

Based on the work performed, nothing has come to our attention that caused us to believe that the NFS of Massimo Zanetti Beverage Group SpA as of 31 December 2017 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.



Other aspects

Comparative data presented in the NFS in relation to the financial year ended 31 December, 2016 have not been assured.

Milan, 16 March 2018

PricewaterhouseCoopers SpA

Filippo Zagagnin
(Auditor)

Paolo Bersani
(Proxy Holder)

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

The background of the entire image is a close-up, high-resolution photograph of dark brown, roasted coffee beans. The beans are piled together, with some in sharp focus in the foreground and others blurred in the background, creating a sense of depth. The lighting highlights the texture and sheen of the beans.

Massimo Zanetti

MASSIMO ZANETTI
BEVERAGE GROUP