

Danwatch is preparing a series of articles on the coffee sector in Brazil and human rights violations within this sector. Danwatch has documents that indicates that coffee produced by workers who are subjected to conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery sell coffee to exporters who supply Illy.

Danwatch would therefore like Illy to answer some questions about Illy's CSR-politics and relations to the suppliers.

Danwatch is an independent media and research center that focuses on human rights, environment, conflict and corruption in a global perspective and investigate violations of environmental standards and human rights.

Danwatch conducts investigative journalism under national and international rules and guidelines for press practice and ethics including the Media Liability Act (Denmark) and the International Federation of Journalists' Declaration of Principles on the Conduct of Journalists (international).

A questionnaire has been sent to some of the big importers of Brazilian coffee and answers/non answers will be quoted in the articles published by Danwatch. Please return your answers no later than Friday the 16th of October 2015. If you chose to answer only parts of the questionnaire both answers and non-answers will also be included in the articles.

Feel free to contact us if you have questions or comments of any kind.

General inquiry

1. How much of all the coffee Illy buys originates from Brazil? (in %)

50%

2. How much of the coffee that Illy buys from Brazil is certified (in %) and with which certifications? (Please list the certifications).

3.

100% of the coffee bought from Brazil is Responsible Supply Chain certified by DNV GL. We estimate that more than 60% of the coffee we bought, comes from certified farms (Rain Forest, Utz, Fair Trade, Certifica Minas, 4C).

The fundamental strategic course of the 'Responsible Supply Chain Process' certification is based upon the principles of traceability, reciprocity, and quality. Responsible Supply Chain Process certifies that illycaffè:

- purchases 100% of its green coffee straight from coffee growers (with the sole exception of Ethiopia);
- activates a know-how transfer to coffee producers in order to constantly improve their product's quality through its University of Coffee;
- guarantees a price for the coffee it buys higher than the market average to reward the coffee growers for the quality they produced;
- invests to monitor and provide the green coffee supply chain with specific support activities.

Monitoring of its supplies to ensure compliance with national labour regulations with the Responsible Supply Chain Process Certification. The RSCP calls for the monitoring and active management of issues such as child labour, forced labour, union rights, overtime, health and safety, diversity and equal opportunities, and adequate retribution for men and women. In the on-site monitoring, auditors may

access the farm registers, visit the premises where the staff work and the equipment they are using, with a view to assessing compliance with national labour regulations. This is a minimum requirement for supplying coffee to illycaffè.

Suppliers not complying with the national labour regulations are added to a blacklist and they must remedy the situation to resume supplies to illycaffè. Other suppliers along the supply chain (especially non-EU suppliers) are also expected to undergo regular audits (performed by illy) which take into account social aspects along with those strictly related to supply conditions.

Starting in 2011, the origins of the green coffee value chain became part of the RSCP certification process (with reference to the relationship with suppliers, the production process, the monitoring of suitable indexes, the controls in the field and on the product itself).

RSCP is free of certification costs for coffee producers. Illycaffè bears all expenses related to certifications and inspections. The audit body is Det Norske Veritas (DNV GL).

4. Does Illy know the names of all the Brazilian coffee plantations in Illy's supply chain? (please check off one)

- a. Yes, we know the names of all the Brazilian coffee plantations in Illy's supply chain.
- b. No, we don't know the names of all, but we know the names of some of the Brazilian coffee plantations in Illy's supply chain. If this is so, how many percent of the Brazilian coffee plantations that Illy buys coffee from, does Illy know the name of?

- c. No, we don't know the names of the Brazilian coffee plantations our coffee originate from.

5. Does Illy have a Suppliers Code of Conduct? (please check off one) Yes No.

If yes, could you please send it to us?

Link to the code of ethics:

http://www.illy.com/wps/wcm/connect/764076e8-1aba-4d5c-8023-9435a1537152/Codice+etico_gb+def.pdf?MOD=AJPERES&useDefaultText=0&useDefaultDesc=0

and every green coffee purchasing agreement contains rules about the respect of the code of ethics, the work laws and the environment.

Which demands do you set forth to ensure that your suppliers comply with National legislation and human rights?

The concrete engagement of illycaffè in respect of human rights has been translated during years in several initiatives, such as:

- Endorsement of principles stated by ILO – International Labor Organization: illycaffè purchases goods and services only in countries subscribing ILO standards relevant the minimum age prescribed for minors, from 14 or major.
- Application and explicit reference to the respect of Ethical Code on the contracts, which includes strict clauses on upholding Human Rights in the procurement processes and contracts. Several sections and rules included in the Code and relevant to the respect of Human Rights are also applied along the whole supply chain

- A constant monitoring of coffee suppliers is carried out in order to ensure the full respect of the relevant national labor laws, through the certification issued in the Responsible Supply Chain Process. The RSCP prescribes the active control and management of all the potential violations on norms relevant to child labor and forced labor, trade union rights, overtime rates, health and safety, equal opportunities and gender diversity management, equal remuneration for men and women. The certification envisages that, during audit verifications, auditors can access to the registries of agro-food companies and can carry out direct inspections to facilities allocated to workers and evaluation of their equipment, in order to verify the respect of the national regular framework in matter of labor. This point represents the minimum requirement to be adopted by a company to be included among illy suppliers.
- Participation in the Global Compact initiative.

6. Does Illy conduct any supplier inspections to ensure that the plantations comply with the principles in your Supplier's Code of Conduct? (please check off one) Yes No. If yes: How many percent of the Brazilian plantations that supply you with coffee do you inspect during one year, and who conduct these inspections?

100% of the coffee farms in 3 years and an average of 30% every year done by our technicians and by external independent auditors.

7. Which actions does Illy take if Illy finds violations of the national legislation or of the human rights at coffee plantations in Illy's supply chain?

Suppliers not in line with the requirement and not obeying to the national regulations are therefore reported within a 'black list' and have to adequate their requirements in order to re-enter the supply chain of the company. A periodical plan of audits (set up by illycaffè) is carried out, the plan includes the verification of supply conditions and monitoring and evaluation of social issues.

8. What kind of violations of Illy's supplier's code of conduct would make Illy terminate a collaboration with a supplier?

In these cases:

- Waste-water treatment is not done (wet process)
- Minimum salary are not paid
- Working environment healthiness: Healthy working environment (free access to water, clean restrooms, housing) is not guarantee
- Working environment freedom: free association is not allowed
- Child labour

9. The Brazilian Ministry of Labor inspects coffee plantations and free workers who are subjected to conditions described as "analogous to slavery" in the Brazilian penal code's article 149. Do you monitor the findings of the inspectors? (please check off one) Yes No. Do you terminate the collaboration with Brazilian coffee plantations where the inspectors from the Brazilian Ministry of Labor finds conditions "analogous to slavery"?

Yes

10. Is Illy a signatory of The National Pact for the eradication of slave labor in Brazil? Would Illy consider becoming a signatory?

Illycaffè has not signed The national pact for the eradication of slave labor in Brazil, but the company could consider to sign it.

Supply chain findings:

11. Danwatch's research indicates that Illy or some of Illy's coffee labels have bought coffee from the following Brazilian coops and/or coffee exporters, please confirm this by checking yes or no in the boxes.

Cooperativa Regional de Cafeicultores em Guaxupé Ltda (Cooxupé) X Yes No (if yes, please check off the years, when you have bought coffee from this coop/exporter X 2008 X2009 X2010 X2011 X2012 X2013 X2014 X2015)

We have the traceability of the coffee: we buy the coffee through the cooperative in name of the farmer (name of the grower in the contract). Our aim is to buy the coffee of that farmer and we can do that only by the cooperative.

Please also declare if Illy buys coffee directly from any of the following Brazilian coops and/or coffee exporters:

Tristão Companhia de Comércio Exterio (Tristão) Yes X No (if yes, please check off the years, when you have bought coffee from this coop/exporter 2008 2009 2010 2011 2012 2013 2014 2015)

Volcafe Yes X No (if yes, please check off the years, when you have bought coffee from this coop/exporter 2008 2009 2010 2011 2012 2013 2014 2015)

Louis Dreyfus Commodities Yes X No (if yes, please check off the years, when you have bought coffee from this coop/exporter 2008 2009 2010 2011 2012 2013 2014 2015)

Outspan Brasil Importação e Exportação Ltda (Outspan) Yes X No (if yes, please check off the years, when you have bought coffee from this coop/exporter 2008 2009 2010 2011 2012 2013 2014 2015)

Exportadora de Café Carmo de Minas Ltda. (Carmo Coffees) Yes X No (if yes, please check off the years, when you have bought coffee from this coop/exporter 2008 2009 2010 2011 2012 2013 2014 2015)

Cecafex Comércio e Exportação de Café Ltda (Cecafex) Yes X No (if yes, please check off the years, when you have bought coffee from this coop/exporter 2008 2009 2010 2011 2012 2013 2014 2015)

Cooperativa Regional Dos Cafeicultores do Vale do Rio Verde Ltda (Cocarive) X Yes No (if yes, please check off the years, when you have bought coffee from this coop/exporter X 2008 X2009 X2010 X2011 X2012 X2013 X2014 X2015)

We have the traceability of the coffee: we buy the coffee through the cooperative in name of the farmer (name of the grower in the contract). Our aim is to buy the coffee of that farmer and we can do that only by the cooperative.

Conditions analogous to slavery – key findings from Brazilian authorities

12. The plantation owner Eduardo Barbosa de Mello was blacklisted by the Brazilian Labor Ministry in 2014, because inspectors found conditions at his coffee plantation, which violated the Brazilian penal code, article 149 regarding conditions analogous to slavery. Danwatch's research shows that Eduardo Barbosa de Mello is member of the coop Cooperativa dos Cafeicultores da Zona de Três Pontas (Cocatrel), and documents from BARÃO COMISSÁRIA DE CAFÉ LTDA shows that Cooxupé have bought coffee from Cocatrel.

What is Illy's overall comment to these findings?

This is a reason why we use to buy coffee by known farmers, even if sometimes throughout the cooperatives.

Can Illy guarantee that coffee from plantations like Eduardo Barbosa de Mello's, where inspectors from the Brazilian Labor Ministry have found conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery, has not ended up in coffee sold by Illy or any of Illy's coffee labels? (Please check off one) XYes No.

Comments:

We have the traceability of our coffee. We have the invoice of all the coffee we buy where it is noted the name of the farmer and his CPF (cadastro da pessoa fisica).

In June 2013 the plantation owners Joaquim Reis da Silva and Donisete Geraldo Leite were blacklisted by the Brazilian Labor Ministry, because inspectors found conditions at their coffee plantations, which violated the Brazilian penal code, article 149 regarding conditions analogous to slavery. Danwatch's research shows that both plantation owners have been members of Cooxupé.

What is Illy's overall comment to these findings?

This is a reason why we use to buy coffee only by known farmers that we visit regularly.

Can Illy guarantee that coffee from blacklisted plantations like Joaquim Reis da Silva and Donisete Geraldo Leite where inspectors have found conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery, has not ended up in coffee sold by Illy or any of Illy s coffee labels? (Please check off one) XYes No.

Comments:

We have the traceability of our coffee. We have the invoice of all the coffee we buy where it is noted the name of the farmer and his CPF (cadastro da pessoa fisica).

Donisete Geraldo Leite's plantation where the inspectors found conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery was UTZ-certified.

What is Illy's overall comment to these findings?

This is a reason why we use to buy coffee only by known farmers that we visit regularly.

Is some of the coffee Illy buys from Brazil UTZ-certified? (Please check off one) X Yes No.

Which actions will Illy take to make sure that the UTZ-certified coffee that Illy buys in the future isn't produced in a way that violates national legislation and human rights?

We don't look for UTZ certified coffee. We know that some of our farmer are UTZ certified. We use to adopt the requirements of the Responsible Supply Chain Process certification for all our suppliers and we will continue to adopt them.

13. Which actions will Illy take to ensure that coffee from plantations where the Brazilian Labor Ministry's inspectors find conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery, does not end up in coffee sold by Illy or any of its coffee labels in the future?

We will continue to adopt the requirements of the RSCP certification and we will maintain the regular visits done by our technicians to the coffee farms we work with.

14. What actions will Illy take in relation to each of the coops/exporting companies in Illy's supply chain that has bought coffee from plantations where the Brazilian Labor Ministry's inspectors have found conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery?

We don't buy from cooperatives/exporting companies, we use to buy from coffee farmers that, sometimes, sell us their coffee through a cooperative they are partners.

Acutely toxic pesticides and other findings

15. The cases where the Brazilian Labor Ministry's inspectors have found conditions, which violates the Brazilian penal code, article 149 regarding conditions analogous to slavery only illustrate some of the problems facing coffee workers in Brazil. Danwatch's research shows that as many as 40-50 percent of the coffee harvesters work without the official contracts (carteira assinada) which gives them the right to social security services.

What will Illy do to ensure that Brazilian coffee workers in Illy's supply chain are provided with official contracts (carteira assinada)?

We will continue to include in our contract that coffee farmers must respect the law, we will continue to visit them in order to verify the compliance with the agreement, we will continue to make more aware of the importance of the labor rights.

Which actions will Illy take now in this regard?

See above

16. Danwatch' research also shows that there are problems with coffee workers receiving less than the minimum wage, too long working hours, occupational accidents, lack of protective equipment and very bad living conditions for migrant workers.

What will Illy do to ensure that Brazilian coffee workers in Illy's supply chain are subjected to working conditions that comply with the Brazilian legislation and with human rights?

It is a requirement of the Responsible Supply Chain Process certification.

Which actions will Illy take now in this regard?

We will continue to adopt the RSCP certification standard in order to reduce the risk of violations.

17. Danwatch' research also shows that Brazilian coffee plantations are allowed to use pesticides that are not allowed in the EU where they are classified as acutely toxic. Some of these pesticides are fatal if they get in contact with the skin, others are mutagenic and might cause cancer. Danwatch' research shows that many of the workers at Brazilian coffee plantations apply pesticides with no or only with inadequate personal protective gear, and that symptoms of pesticide intoxication are widespread.

What will Illy do to ensure that Brazilian coffee workers in Illy's supply chain are subjected to working conditions that are not dangerous to the worker's health and that comply with human rights?

We will continue to adopt the RSCP certification standard.

Which actions will Illy take now in this regard?

We will continue to set dedicated trainings for the farmers aimed to spread the importance of the worker's health and of the integrated agriculture. Moreover we will continue to analyze each coffee we buy in order to verify the presence of residues or forbidden pesticides (eg. Endosulfan).

Best regards,
Julie Hjerl Hansen

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