



# Sustainability Report 2018

**PANARIA**group®



**PANARIA**group®

Sustainability  
Report  
2018



No story ever has a single account, vision or interpretation.  
You have to know how to **open your mind and eyes** to see the complexity of the whole story.

This is what we do every day at Panariagroup and this is what we chose to do with our **2018 Sustainability Report**: to present our Group's responsibility by multiplying the photographic gazes focused on us.

**PANARIA**group®



# LETTER TO STAKEHOLDERS

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The new edition of **Panariagroup's Sustainability Report** is ready and I always consider presenting it to be a source of great pride.

**It is the result of the efforts of a whole company, which operates with strong principles** and pursues the vision that we have tried to follow since the outset of our business project with care and dedication.

Doing business, now more than ever, requires a sense of responsibility towards the environment, the local area, people and consumers, the present and the future. This approach must be reinforced on a daily basis.

Our industry in particular faces major challenges, in terms of the impact of building and construction in general, as well as in terms of competition with alternative materials with respect to which we can and want to increasingly boast a superior and certified sustainability profile.

This is partly why the 2018 edition of Panariagroup's Sustainability Report **contains many significant results, achieved goals and respected commitments.** For us, this means believing in our way of doing business and conducting our work with commitment, conviction and investment.

In line with this commitment, **in 2018 we joined the United Nations (UN) Global Compact**, an initiative

that aims to promote corporate social responsibility through compliance with ten fundamental principles relating to human rights, work, the environment and the fight against corruption.

Our performance levels in fundamental areas such as water, energy and raw materials consumption, emissions and waste, a significant packaging reconversion policy and a close relationship with employees and with the areas in which we operate are the tangible hallmarks of our commitment, which we pursue with an increasingly decisive approach.

**This commitment has earned us major recognitions**, such as the award from the Biblioteca Bilancio Sociale, which rewards our efforts and encourages us to work further in this direction.

**We are also motivated by the involvement and contribution of employees, contractors, customers** and all those who work with the company, supporting its direction with growing confidence.

We therefore continue to **look ahead with passion and determination** so that we can share important new goals in the future.

Emilio Mussini  
President of Panariagroup





# INDEX

<b>OUR COMMITMENT</b>	10
<b>2018 HIGHLIGHTS</b>	12
<b>1.0 SUSTAINABILITY FOR PANARIAGROUP</b>	14
1.1 NOTE ON METHODOLOGY	
1.2 OUR APPROACH TO SUSTAINABILITY	
1.3 THE GROUP'S STAKEHOLDERS AND RELATIONSHIP CHANNELS	
1.4 MATERIALITY ANALYSIS	
1.4.1 PARTICIPATION IN THE UN GLOBAL COMPACT	
1.5 SUSTAINABILITY GOALS	
<b>2.0 THE GROUP</b>	40
2.1 GROUP PROFILE	
2.2 HISTORY	
2.3 PANARIAGROUP WORLDWIDE	
2.4 THE GROUP'S VALUES AND PRINCIPLES	
2.5 ORGANISATIONAL STRUCTURE AND GOVERNANCE	
2.6 SUSTAINABILITY RISK MANAGEMENT	
2.7 INTEGRITY AND COMPLIANCE	
<b>3.0 ECONOMIC RESPONSIBILITY</b>	62
3.1 THE GROUP'S ECONOMIC RESPONSIBILITY	
3.1.1 GENERATED AND REDISTRIBUTED ECONOMIC VALUE	
3.2 2018 FINANCIAL RESULTS	
3.3 INVESTING IN INNOVATION	
<b>4.0 PRODUCT RESPONSIBILITY</b>	74
4.1 PRODUCT QUALITY, DESIGN AND SUSTAINABILITY	
4.2 OUR BRANDS	
4.3 INNOVATION AND TECHNOLOGY	
4.4 CUSTOMER SATISFACTION	
4.5 SYSTEM CERTIFICATIONS	
4.6 PRODUCT CERTIFICATIONS	
<b>5.0 ENVIRONMENTAL RESPONSIBILITY</b>	98
5.1 THE GROUP'S ENVIRONMENTAL RESPONSIBILITY	
5.2 MANAGEMENT OF NATURAL RESOURCES	
5.3 RAW MATERIALS	
5.4 THE PRODUCTION PROCESS	
5.5 ENERGY AND EMISSIONS	
5.6 WATER	
5.7 WASTE MANAGEMENT	
<b>6.0 SOCIAL RESPONSIBILITY</b>	120
6.1 OUR EMPLOYEES	
6.1.1 TRAINING AND DEVELOPMENT	
6.1.2 EMPLOYEE HEALTH AND SAFETY	
6.2 RELATIONS WITH LOCAL COMMUNITIES	
6.3 RESPONSIBLE SUPPLY CHAIN MANAGEMENT	
<b>7.0 APPENDIX</b>	142
7.1 ENVIRONMENTAL DATA	
7.2 DATA ON HUMAN RESOURCES	
7.3 DATA ON THE SUPPLY CHAIN	
<b>8.0 GRI CONTENT INDEX</b>	162
<b>9.0 INDEPENDENT AUDITOR'S REPORT</b>	171



# OUR COMMITMENT

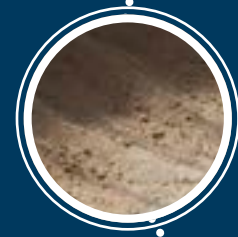
## SUPPORT FOR INNOVATION

During the year we have invested around **20 million euro** in innovation.



## REDUCTION OF RAW MATERIAL CONSUMPTION

We **recover** our production waste internally.



## WASTE MANAGEMENT

**94.5%** of waste recovered along the production chain.



## CLOSE RELATIONSHIP WITH THE LOCAL AREA

Extensive use of **local suppliers** and contributions to the **community**.



## ENERGY SAVING

Our **energy consumption index** is **0.139 GJ per m<sup>2</sup>** of tiles, using increasingly more renewable energy.



## ECO-FRIENDLY PACKAGING

Increasing use of **recycled packaging materials** (in particular in Italy 72% of plastic for industrial use and 70% of paper and cardboard).



## LOW WATER IMPACT

**Water** consumption intensity **0.018 m<sup>3</sup> per m<sup>2</sup>** of tiles produced with 399,406 m<sup>3</sup> of recycled and reused water.



## PRODUCTS FOR QUALITY OF LIFE

We develop **sustainable materials** (laminated porcelain stoneware) for **healthy and protected spaces** (Protect antibacterial technology).



## HUMAN RESOURCES

**Stable relationship with employees** (around 95% with a permanent contract) and **trade unions** (around 72% of employees covered by collective bargaining agreements).



## EMISSION REDUCTION

**9 tCO<sub>2</sub>eq per 1000 m<sup>2</sup>** of tiles, **192 tCO<sub>2</sub>eq avoided** over the course of the year.<sup>1</sup>

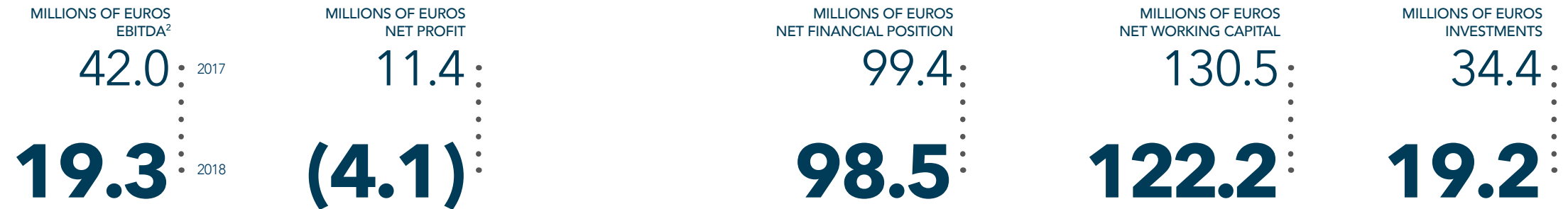


1. In 2018, through photovoltaic systems installed at the Fiorano Modenese, Finale Emilia and Sassuolo plants, the Group avoided 192 tCO<sub>2</sub>eq, calculated with Location-based methodology.

# 2018 HIGHLIGHTS



## ECONOMIC



## ENVIRONMENTAL



## SOCIAL



2. As a result of the process of adjustment to the new accounting standards (IFRS 15), the 2017 EBITDA figure has been restated with respect to the data published in the previous DNF, in line with the new standards. For the restated data, please refer to the table. For the previously published data, see the 2017 Sustainability Report, published in the Sustainability section on [www.panariagroup.it](http://www.panariagroup.it).

3. The 2017 data relating to energy and emissions intensity has been restated. Please refer to the "Appendix" section for details.

4. The intensity values are calculated based on the m<sup>2</sup> of tiles produced during the year, which amounted to 22,486,526 m<sup>2</sup> in 2018 and 22,690,716 m<sup>2</sup> in 2017.



SUSTAINABILITY FOR  
**PANARIAGROUP**



Sustainability is a living,  
changing principle and  
the actions that it inspires  
change with it, turning  
our company into  
a better company.

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Panariagroup awarded by  
Biblioteca Bilancio Sociale



# 1.1

## NOTE ON METHODOLOGY

This document presents the Panariagroup Group's (hereafter also "Panariagroup" or "Group") annual consolidated non-financial statement (hereafter also "Sustainability Report"), as required by Legislative Decree 254/2016.

In compliance with Article 5 of the Decree, this document is a separate report with specific wording, marked, in order to refer to the Consolidated non-financial statement envisaged by the regulation.

The Sustainability Report contains information to the extent necessary to ensure knowledge of the business activity, of its performance, of its results and of the impact of its activity, with regard to the issues considered relevant by and included in Article 3 of Legislative Decree 254/16, with reference to the 2018 financial year (from 1 January to 31 December). This statement has been prepared in compliance with new reporting standards, the "Global Reporting Initiative Sustainability Reporting Standards" (hereafter "GRI Standards") issued in 2016 by the Global Reporting Initiative (GRI), in line with the "In Accordance – Core" option. Furthermore, EC Guidelines have also been taken into account, where appropriate.

**The Group has prepared a materiality analysis**, as required by the GRI Sustainability Reporting Standards, **in order to report the sustainability issues** deemed relevant by its stakeholders and by the Group itself. This analysis was carried out through direct involvement of three main categories of stakeholders (customers, suppliers and employees) in Italy, taking into consideration the topics and the areas covered by Article 3 of the Decree. It was also considered useful to provide, in the context of this analysis, a comparison of the relevant issues from the materiality matrix (see the paragraph on "Materiality Analysis") with the best industry practices in order to have a comparison and a broader view. The scope of reporting of data and economic-financial information corresponds to that of Panariagroup Industrie Ceramiche S.p.A.'s consolidated financial statement of 31 December 2018. With regard to qualitative **information and quantitative data relating to social aspects**, companies using the full consolidation method

in the consolidated financial statement are included in the reporting scope<sup>5</sup>. With regard to **qualitative information and quantitative data relating to environmental aspects**, the Group's companies that manage production sites are included, while the companies with only commercial offices and the Montanari Ceramiche store (Crespellano - BO, Emilia-Romagna) are excluded, as they are not considered relevant to ensuring understanding of the Group's business activity and its impact.

Information relating to the **reference period** is compared with that of the previous year, where available. When data relating to the previous period is restated, this is expressly indicated. To ensure the reliability of the data, use of estimates has been limited as much as possible. When estimates are used, they are accordingly indicated and are based on the best available methods.

**In 2018, there were no significant changes** in the Group's size, organizational structure, ownership structure or supply chain. Starting from the topics considered relevant, with regard to the areas covered by the Decree, an evaluation of risks, both internal and external was also made, taking into consideration the Group's activities, services, products, including, where relevant and available, supply chains and subcontracting.

The main inherent risks related to sustainability issues concern the following aspects in particular: compliance with national and international regulations; management of environmental impact; respect for human rights; health and safety in the workplace; active and passive corruption. For more details, please refer to the "Sustainability Risk Management" paragraph.

**Panariagroup oversees sustainability issues through policies aimed at ensuring their monitoring and management.** With regard to issues relating to human resources, management is decentralized, based on the Group's three operational hubs (Italy, Portugal and USA), and focuses mainly on occupational health and safety issues, training and development of career skills and wel-

fare protection for employees. With regard to health and safety, the Group has implemented an integrated Quality, Environment, Hygiene and Safety management system in order to guarantee the protection and safety of its workers and it constantly monitors the main health and safety indicators at all the Group's plants.

Training is annually defined by specific training and development plans for each individual plant, and particular attention is paid to employee well-being through initiatives developed with the employees' representatives, with whom the Group is committed to maintaining an ongoing dialogue. The Group recognizes the intrinsic value of each person and constantly works to ensure respect for human rights along the entire value chain, in particular by promoting accessibility and treatment with the utmost respect for diversity. To this end, in 2018, the Group prepared its Group Code of Ethics and a Code of Business Conduct for suppliers, which define the principles and values underlying the Group's daily operations and the entire value chain.

**The Panariagroup has developed a strong and constant commitment to the management and monitoring of environmental aspects**, through the adoption of certified management systems (ISO14001, EMAS) in the Italian and Portuguese plants and the preparation of the AIA Report required by the Integrated Environmental Authorisation (IEA) for the Italian plants. Furthermore, activities and objectives have been defined to enable a more efficient use of energy and raw materials and to reduce environmental impact in production cycles.

With regard to anti-corruption, ethics and business integrity, the Parent Company Panariagroup Industrie Ceramiche S.p.A. adopted the Management and Organisation Model 231/01 in 2009, which was subsequently updated in March 2018. 2018, in line with the previous year's

Panariagroup  
**oversees sustainability issues**  
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their monitoring and management.

objective, saw an extension to the role of the Supervisory Body of the Italian Parent Company for monitoring and verifying processes and procedures in corporate, IT (cyber risk), environmental and health and safety matters for the foreign companies (in Portugal and USA). **The Parent Company's Supervisory Body monitors and verifies the efficiency and effectiveness of the foreign subsidiaries' internal policies and procedures**, with the possibility of directly carrying out specific control actions on the individual Departments, Functions, Local Areas and Group companies.

Through the application of the new Code of Ethics to all the Companies included in the scope, scheduled for 2019, the Group intends to strengthen its presence in the fight against active and passive corruption in line with the management methods of the Italian Parent Company. The process of integrating sustainability issues into the Group's value chain continued in 2018 with **the achievement of most of the objectives declared in the 2017 Consolidated Non-Financial Statement** and the definition of new goals to be achieved over the next few years (for details, see the "Sustainability goals" paragraph).

The Group's 2018 Consolidated Non-Financial Statement was approved by the Board of Directors of Panariagroup Industrie Ceramiche S.p.A. on 15 March 2019. Deloitte & Touche SpA undertook a limited examination ("limited assurance engagement" according to the criteria of ISAE 3000 Revised) of the Consolidated Non-Financial Statement, according to the procedures indicated in the Independent Auditor's Report included in this document. For information on the Consolidated Non-Financial Statement, please contact: sustainability@panariagroup.it.

<sup>5</sup> For the list of companies using the full consolidation method, please refer to the "Group Structure" section of the Management Report in the Panariagroup Industrie Ceramiche S.p.A. Consolidated Financial Statement of 31 December 2018.



# 1.2

## OUR APPROACH TO SUSTAINABILITY

Panariagroup's mission is to develop and create well-being in harmony with people and the environment, with great willingness, passion and love for our work. In order to achieve these goals, the Group aims to generate sustainable value for its shareholders, employees and business partners, respecting society and the environment. The Group has a strong focus on research and innovation and aims to meet the highest expectations in terms of well-being and aesthetics, for both professional and private customers, in architecture and in the construction industry.

Always at the vanguard in skilfully combining beauty, quality and sustainability, Panariagroup works every day to reduce the environmental impact of its plants, demonstrating its commitment to ecosystem conservation and to researching the best housing comforts. This is a vital and essential commitment for those who, like Panariagroup, create products that millions of people all around the world encounter in their daily life, at home or in public places.

In practice, acting responsibly means including sustainability among the aspects to take into consideration in the company's daily choices, from the purchase of raw materials to the sale of the final product. This involves paying attention to the entire production

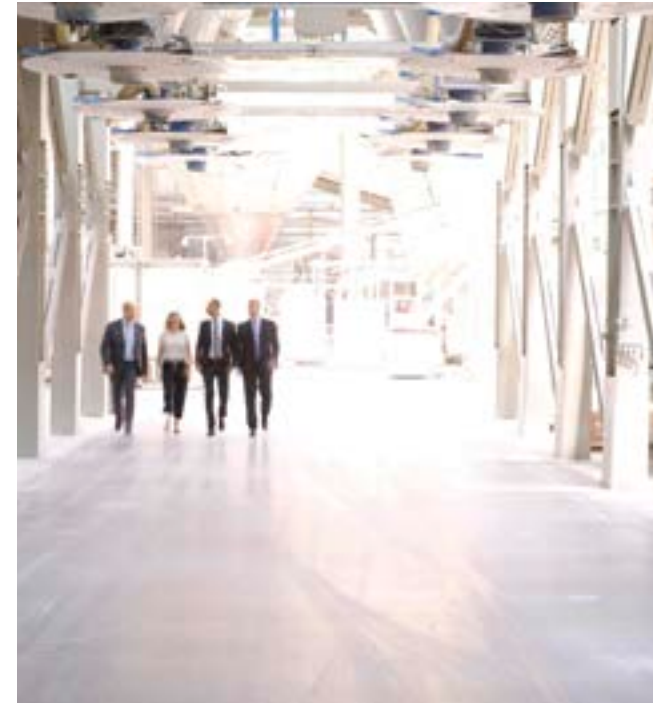
chain and to the actors affected by it: employees, suppliers, consumers, customers, local communities, associations and all those entities whose interests intersect with those of the company.

In this context, the Group has been and remains constantly committed to the development of **new management systems, procedures and policies that carefully consider respect for the environment and for the society** that surrounds it, of which it is an integral part. Furthermore, for the Group, the principle of acting in compliance with sustainability principles also embraces aspects not directly linked to environmental policies. The Group's management strategies include policies and practices that analyse and regulate the company's impact on both the economy and society.

From a social point of view, the Group has contributed with perseverance and dedication to **increasing the prosperity of the areas in which it operates and of the people with whom it interacts**. In this regard, through its production facilities and its commercial offices, the Group has actively promoted employment.

Even during the economic crisis involving most of the Countries in which the Group operates, Panariagroup has always been committed, with regard to its own

Panariagroup has been and remains constantly committed to the development of new management systems, procedures and policies that carefully consider **respect for the environment and for the society that surrounds it, of which it is an integral part.**



employees, to maintaining employment levels, offering safe workplaces and paying attention to the well-being and welfare of employees.

**In 2018, the activity of communicating the company's commitment to sustainability continued, with increasing involvement of certain stakeholder categories.** In particular, an important communication and engagement plan was launched for employees of the Italian Business Unit, with education initiatives on sustainability topics and specific operations (such as the campaign on more effective "green" behaviour).

Panariagroup's activity on this front has also earned the company important awards. The company won **third prize at the 2018 edition of the Biblioteca Bilancio Sociale award, created to recognize the increasingly numerous companies that stand out in the field of sustainability through reporting.** Panariagroup distinguished itself for its commitment in general and specifically for the innovation of its thin laminated porcelain stoneware slabs, which make an enormous contribution in terms of lower environmental impact.

**The Group was also included in the Future Respect Index among the 40 virtuous companies that demonstrate business management that respects**

**the future** through its sensitivity to the common good, attentiveness to public interest and focus on social cohesion. The Index, compiled in Italy by ConsumerLab through Focus Groups made up of consumers selected for their sensitivity and awareness about the subject, was created to highlight the clearest and most effective Sustainability Reports. The 40 reports, selected from an archive of 537, thus become a reference for everyone regarding how the general public would like to access information to assess the extent to which a company and its products deserve preference.

Once again, Panariagroup's new Sustainability Report not only answers the need to show stakeholders the company's activities, social commitment and efforts to reduce its environmental impact, but also the need to **integrate, with growing awareness, aspects of sustainability in the company's strategic decisions**, in order to create increasing value for people and the areas in which it operates. In order to come to responsible decisions, it is therefore necessary to have a thorough understanding of the company's positive and negative impact and this report is a fundamental step for Panariagroup towards this goal.

# 1.3

## THE GROUP'S STAKEHOLDERS AND RELATIONSHIP CHANNELS

**Stakeholders play a fundamental role** in Panariagroup's sustainable growth. Through their involvement and through consideration of their needs, the Group maintains a constant vision towards the different contexts in which it operates, working hard to consider their expectations, perceptions and priorities within the decision-making processes and in the definition of economic, environmental and social objectives.

In its Sustainability Report, Panariagroup has carefully identified the individuals or groups of individuals who have a relationship with the company and its activities, through an analysis that considered the

following variables: tension, influence, responsibility and dependence.

This exercise was carried out taking into consideration the principles of the GRI Standards.

The result of this careful analysis of all the actors who gravitate around Panariagroup led to the **identification of the stakeholders** shown in the following chart.

Through the **involvement of the stakeholders and consideration of their needs**, the Group can pursue its economic, environmental and social targets in a shared and effective way.

### THE STAKEHOLDERS

-  Shareholders, financiers and investors
-  Consumers
-  Public institutions
-  Customers (distributors)
-  Suppliers
-  Employees and trade unions
-  Representative/ Trade associations
-  Local communities
-  Developers, architects and interior designers



Panariagroup maintains **a constant level of communication with its stakeholders, bearing in mind their mutual needs**. In this regard, the Group strives daily to maintain active and continuing relations with its stakeholders through various methods involving the different company functions.

Furthermore, in 2018, **the Group strengthened its stakeholder engagement activity in Italy, involving three categories of stakeholders (customers, supp-**

**liers and employees )** through an anonymous online survey, with the aim of investigating their perceptions and priorities in relation to sustainability issues. The results of the survey were used to update the materiality analysis for 2018.

The following table shows the methods of interacting with the Group's stakeholders, divided into individual categories.

Panariagroup maintains a **constant level of communication with its stakeholders, bearing in mind their mutual needs**.

STAKEHOLDERS	METHODS
SHAREHOLDERS, FINANCIERS AND INVESTORS	<ul style="list-style-type: none"> <li>Shareholders' Meeting</li> <li>Investor relations activities</li> <li>Publication on the Group's website of all financial and non-financial information required by current regulations</li> <li>Participation in the STAR event in Milan</li> <li>Daily contact related to operations and specific meetings with the Group's financiers</li> <li>Communication activities through media of the company's results and key initiatives</li> </ul>
CONSUMERS	<ul style="list-style-type: none"> <li>Commercial relations in the Group's shops</li> <li>Presence at events (e.g. Milan Design Week)</li> </ul>
PUBLIC INSTITUTIONS	<ul style="list-style-type: none"> <li>Participation in data collection through surveys for statistical purposes</li> <li>Compliance with the documentary requirements of national and local legislation</li> <li>Constant collaboration with the institutions responsible for issuing authorizations and environmental certifications</li> </ul>
CUSTOMERS (DISTRIBUTORS)	<ul style="list-style-type: none"> <li>Daily report from the Group's Commercial offices</li> <li>Participation in the main trade fairs</li> <li>Visits organized at the Group's offices</li> <li>2018 sustainability survey carried out on a selected sample</li> </ul>

EMPLOYEES AND TRADE UNIONS	<ul style="list-style-type: none"> <li>Newsletters for employees</li> <li>Notice boards and signage stands at the plants and sites</li> <li>Training activities and regular refresher activities for employees</li> <li>Regular meetings with employees' representatives</li> <li>2018 sustainability survey carried out on a selected sample</li> </ul>
SUPPLIERS	<ul style="list-style-type: none"> <li>Activities to select suppliers and to evaluate performance in terms of the quality and cost of the service</li> <li>Regular meetings and audits of suppliers carried out by the Group's Purchasing Department</li> <li>2018 sustainability survey carried out on a selected sample</li> </ul>
REPRESENTATIVE/TRADE ASSOCIATION	<ul style="list-style-type: none"> <li>Membership of Confindustria Ceramica (Italy) and APICER (Portugal) and participation in the relevant technical committees on environment and safety</li> <li>Membership of the US Green Building Council</li> <li>Participation as an ordinary member in Green Building Council Italia</li> </ul>
LOCAL COMMUNITIES	<ul style="list-style-type: none"> <li>Sponsorship and donation of contributions aimed at the socio-economic development of the areas in which the Group operates</li> </ul>
DEVELOPERS, ARCHITECTS AND INTERIOR DESIGNERS	<ul style="list-style-type: none"> <li>Development of a function dedicated to building a structured and continuous relationship with designers, architects and interior designers</li> <li>Technical seminars organized at external sites for compulsory training (training credits)</li> <li>Seminars in the Group's showrooms with the participation of experts</li> <li>Participation in fairs and events aimed at the target audience</li> <li>Visits organized at the Group's offices</li> </ul>

# 1.4

## MATERIALITY ANALYSIS

In accordance with the GRI Sustainability Reporting Standards and Italian Legislative Decree 254/2016, Panariagroup carried out a materiality analysis with the aim of **defining the sustainability issues relevant to the Group and its stakeholders**. These are included in the 2018 Sustainability Report.

The materiality analysis aims to identify the most significant “material” economic, environmental and social aspects for the organization and its stakeholders. The result of this analysis, the Group’s materiality matrix, has therefore become **the point of reference for all the activities carried out** in the preparation of the Sustainability Report.

**Panariagroup has identified the issues relevant** to the Group and its stakeholders through a benchmark analysis of the sector that has considered the main national and international best practices, internal documentary sources (Code of Ethics, Code of Business Conduct, Organisation and Management Model 231 and other internal policies), external documentary sources (in particular GRI Standards publications), national and international sources related to sustainability issues (e.g. Global Compact, COP21 and SDGs),

the European Commission’s Sustainable Finance Action Plan, the Recommendations of the Task Force on Climate-related Financial Disclosures and areas covered by Article 3 of Legislative Decree no. 254/2016.

In 2018, all **the issues identified were subject to an assessment of relevance by stakeholders**, through an online survey, in anonymous form, addressed to three main categories of stakeholders (customers, suppliers and employees) in Italy, as previously anticipated.

Their significance to Panariagroup was updated through direct involvement of the CSR Operational Committee, which expressed a qualitative assessment of the issues based on their knowledge and experience gained at the Group.

The results of the stakeholder engagement activity and the evaluation by the Group’s CSR Operational Committee have been grouped together in the following 2018 materiality matrix, approved by the Board of Directors.

The materiality analysis aims to identify **the most significant “material” economic, environmental and social aspects** for the organization and its stakeholders.

## THE PANARIAGROUP’S MATERIALITY MATRIX 2018

- ENVIRONMENTAL RESPONSIBILITY
- ECONOMIC RESPONSIBILITY
- EMPLOYEE RESPONSIBILITY
- PRODUCT RESPONSIBILITY
- SOCIAL RESPONSIBILITY
- GOVERNANCE AND COMPLIANCE





Product quality and design, Economic Performance, Health and Safety in the workplace, Sustainable innovation and Customer satisfaction are **key issues for both the Group and its stakeholders.**

The materiality matrix shows how **Product quality and design, Economic Performance, Health and Safety in the workplace, Sustainable innovation and Customer satisfaction are key issues for both the Group and its stakeholders.** These fundamental aspects recall the strategy implemented thus far by the Group, which has invested heavily in these areas. In the future, Panariagroup intends to increasingly involve its stakeholders in identifying and prioritizing material topics and identifying the extent of their impact.

With respect to the issues considered material for the Group and its stakeholders published in the 2017 NFS, the following changes should be noted:

- the "Employee training" and "Welfare of and responsibility towards employees" topics have been grouped into the "Employee development and well-being" topic;
- the "Relations with local communities" topic has been renamed "Socio-economic development of local communities"

- the "Development of green and sustainable products" and "Innovation and technology" topics have been grouped into the "Sustainable innovation" topic;
- the "Energy and water resources management" topic has been divided into "Energy resources and emissions management" and "Water resources management";
- the "Other environmental impacts" topic has become "Waste and wastewater management".

In order to rationalise the topics in the matrix, the "Relations with Government and industry sector institutions" and "Investor relations" topics are no longer made explicit in the materiality matrix since they are integrated in the Group's stakeholder engagement policies, essential for the correct management of sustainability topics.

Below is a breakdown of the issues that emerged as material:

MATERIAL TOPICS	DESCRIPTION
ECONOMIC PERFORMANCE	Protection of the Group's economic and financial stability and profitability, presence on the market and distribution of the economic value generated between the Group's various stakeholders.
GOVERNANCE STRUCTURE AND RISK MANAGEMENT	Structure and division of powers in the Group's governance. Rules, procedures, control and risk management systems aimed at ensuring a correct management of business activities that includes issues related to sustainability (environmental, social and economic).
INTEGRITY AND COMPLIANCE	Ethics, integrity and transparency in business activities that includes the adoption of policies and procedures to support compliance with current regulations and any specific regulations. Adherence to national and international principles and guidelines that include areas of social and environmental responsibility in which the Group operates or which are linked to its business activities. Promotion of training initiatives and development of awareness about the Group's commitment to combat corruption in all its forms.
SOCIO-ECONOMIC DEVELOPMENT OF LOCAL COMMUNITIES	Ways to engage with local communities and to create value by defining specific recruitment, remuneration and management policies for staff employed in the areas in which the Group operates.

PROTECTION OF HUMAN RIGHTS	Management of activities along the value chain that present significant risks in the field of human rights (forced labour, child labour, freedom of association and collective bargaining, discrimination at work).
EMPLOYEE DEVELOPMENT AND WELL-BEING	Staff management policies and activities to ensure employee well-being, protection of workers' rights, diversity and equal opportunities. Interaction, dialogue and collaboration with unions aimed at ensuring that the Group listens to employees' needs. Development and training activities aimed at enhancing employees' technical, managerial and organisational skills and consolidating the professionalism required by the roles covered, which also include matters of ethics and integrity in business practice, health and safety and the environment. Career paths and retention of talents. Staff policies, incentive schemes and career development based on transparent and merit-based performance assessment mechanisms.
HEALTH AND SAFETY IN THE WORKPLACE	Management systems and policies related to the health and safety of workers in the workplace. Training and awareness-raising activities and initiatives for the Group's internal stakeholders aimed at developing a culture of prevention and monitoring, as well as management of accidents at work.
ENERGY RESOURCES AND EMISSIONS MANAGEMENT	Policies for monitoring and efficient management of energy consumption and emissions. Use of energy from renewable sources (green certificates, photovoltaic systems, etc.). Initiatives, activities and policies adopted with the aim of reducing energy consumption and minimizing atmospheric emissions from company activities.
WATER RESOURCES MANAGEMENT	Policies for monitoring and efficient management of water resources. Implementation and use of water recovery and reuse systems in production cycles. Initiatives, activities and policies adopted with the aim of reducing water consumption used for company activities.
WASTE AND WASTEWATER MANAGEMENT	Conscious management of waste connected to the Group's business activities; dissemination of a corporate culture that aims to maximize waste management efficiency by promoting conscious management methods and practices such as: re-use, separation and recycling of waste. Conscious and efficient management of water resources; definition of efficiency strategies for using water with particular attention to any specific uses; monitoring of the quality of wastewater and implementation of actions that favour improvement of the chemical, physical and biological quality of the wastewater.
RESPONSIBLE SUPPLY CHAIN MANAGEMENT	Supply chain management aimed at promoting transparency between parties and procurement practices that are responsible in environmental terms (including attention to the protection of biodiversity for suppliers of raw materials whose activities and processes have a high environmental impact), social terms and with regard to respect for human rights. Implementation of supplier evaluation systems based on social and environmental criteria, as well as on the quality of their services and products.
PRODUCT QUALITY AND DESIGN	Certifications, procedures and systems aimed at guaranteeing quality and continuous innovation in product design.
SUSTAINABLE INNOVATION	Research and development activities aimed at implementing sustainable processes and products and at the use of innovative technologies, patents and advanced technical knowledge designed to improve production efficiency.
BRAND PROTECTION	Promotion of the company's commitment to absolute transparency to consumers regarding the products' characteristics.
CUSTOMER SATISFACTION	Procedures and systems for monitoring and managing customer satisfaction and any complaints related to health and safety, labelling, product information and communication and marketing activities.

# 1.4.1

## PARTICIPATION IN THE UN GLOBAL COMPACT

The table below represents the extent of the impact of material topics. The aim is to understand which sites, areas or entities within Panariagroup have the greatest impact in terms of the material issues identified in the materiality matrix.

MAIN TOPICS	SCOPE OF IMPACT	TYPE OF IMPACT
ECONOMIC PERFORMANCE	Group	Caused by the Group
GOVERNANCE STRUCTURE AND RISK MANAGEMENT	Group	Caused by the Group
INTEGRITY AND COMPLIANCE	Group	Caused by the Group
SOCIO-ECONOMIC DEVELOPMENT OF LOCAL COMMUNITIES	Group	Caused by the Group
PROTECTION OF HUMAN RIGHTS	Group and suppliers	Caused by the Group and directly connected through a business relationship
EMPLOYEE DEVELOPMENT AND WELL-BEING	Group	Caused by the Group
HEALTH AND SAFETY IN THE WORKPLACE	Group employees <sup>6</sup>	Caused by the Group
ENERGY RESOURCES AND EMISSIONS MANAGEMENT	Group and electricity suppliers	Caused by the Group and directly connected through a business relationship
WATER RESOURCES MANAGEMENT	Group	Caused by the Group
WASTE AND WASTEWATER MANAGEMENT	Group	Caused by the Group
RESPONSIBLE SUPPLY CHAIN MANAGEMENT	Group and suppliers	Caused by the Group and which the Group contributes to
PRODUCT QUALITY AND DESIGN	Group and suppliers	Caused by the Group and directly connected through a business relationship
SUSTAINABLE INNOVATION	Group	Caused by the Group
BRAND PROTECTION	Group	Caused by the Group
CUSTOMER SATISFACTION	Group	Caused by the Group

6. The Group strives to further analyse the significance of the other non-employee workers, in order to assess the need to collect data from employers of external collaborators and suppliers that operate at the Group's sites and/or under the Group's control, assessing the quality and accuracy of this data, over which it does not exercise direct control.

In 2018, Panariagroup chose to participate in the UN Global Compact and, starting from this edition of the Sustainability Report, it is reporting on activities carried out to promote the 10 Principles (Communication on Progress), in line with its commitments.

The Global Compact encourages companies around the world to create an economic, social and environmental

framework to promote a healthy and sustainable world economy that guarantees everyone the opportunity to share the benefits. To this end, the Global Compact requires participating companies and organisations to share, support and apply, within their sphere of influence, a set of fundamental principles relating to human rights, labour standards, environmental protection and the fight against corruption.



United Nations Global Compact

SCOPE	GLOBAL COMPACT PRINCIPLES	GLOBAL COMPACT COP	PANARIAGROUP REFERENCE
		Statement of continued support by the Chief Executive Officer (CEO)	Letter to Stakeholders (p. 6)
HUMAN RIGHTS	1. Promotion and respect of universally recognized human rights in their respective spheres of influence	Assessments, policies, objectives and initiatives implemented	Risk of human rights violations (p. 67; 127)
	2. Guarantee of not being, directly or indirectly, complicit in violations of human rights	Performance indicators	Introduction of a Code of Ethics and of a Code of Business Conduct for the Group (p. 60-61) GRI 102-16 (p. 52-53) GRI 414-1 (p. 139)





**WORK**

**3. Support for workers' freedom of association and recognition of the right to collective bargaining agreements**

Assessments, policies, objectives and initiatives implemented

Formalization of a Code of Ethics and of a Code of Business Conduct for the Group (p. 60-61)

**4. Elimination of all the forms of forced and compulsory labour**

Performance indicators

Initiatives described in the "Social Responsibility" chapter (p. 121-141)

**5. Effective abolition of child labour**

**6. Elimination of all the forms of discrimination in employment and professional occupation**

GRI 102-8 (p. 150)  
 GRI 102-41 (p. 127; 158)  
 GRI 202-1 (p. 159)  
 GRI 202-2 (p. 158)  
 GRI 401-1 (p. 153-154)  
 GRI 401-3 (p. 154-155)  
 GRI 404-1 (p. 156)  
 GRI 405-1 (p. 151-152)  
 GRI 406-1 (p. 126)  
 GRI 407-1 (p. 58; 139)  
 GRI 408-1 (p. 58; 139)  
 GRI 409-1 (p. 58; 139)

Assessments, policies, objectives and initiatives implemented

Environmental risk (p. 57-58)

**7. Support for the preventive approach to environmental challenges**

Adoption of an integrated quality, environment and health and safety system and ISO 14001 and EMAS certified management systems (p. 102-103)

**8. Development of initiatives that promote greater environmental responsibility**

Performance indicators

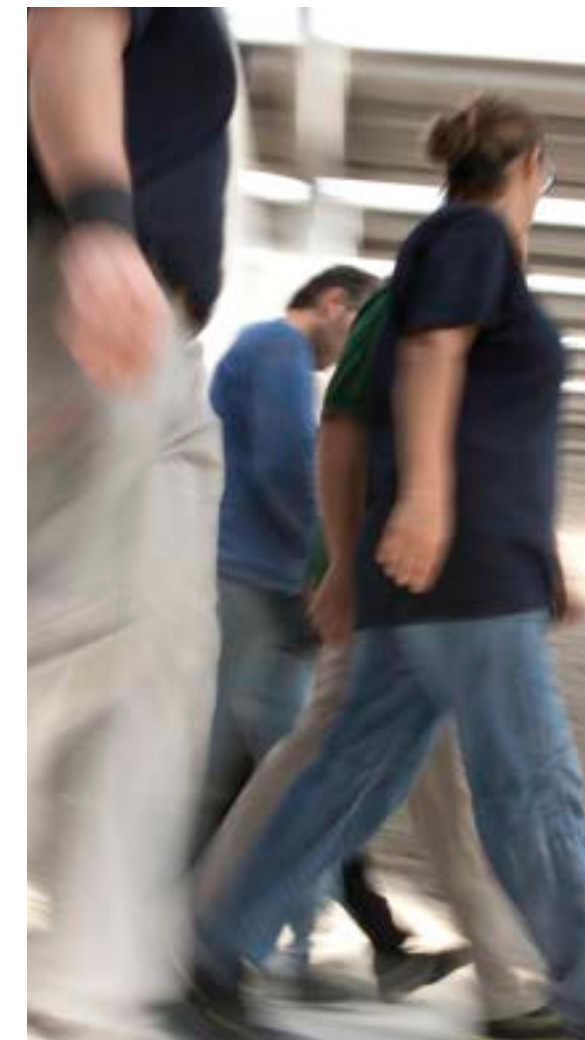
Initiatives described in the chapter "Environmental Responsibility" (p. 99-120)

**9. Incentivisation of the development and dissemination of technologies that respect the environment**

GRI 301-1 (p. 108-109; 160)  
 GRI 302-1 (p. 146-147)  
 GRI 302-3 (p. 112; 146)  
 GRI 303-1 (p. 149)  
 GRI 303-3 (p. 149)  
 GRI 305-1 (p. 147)  
 GRI 305-2 (p. 147)  
 GRI 305-4 (p. 112; 147)  
 GRI 305-7 (p. 148)  
 GRI 306-1 (p. 149)  
 GRI 306-2 (p. 149)  
 GRI 307-1 (p. 61)  
 GRI 308-1 (p. 139)  
 GRI 414-1 (p. 139)



**ENVIRONMENT**



**FIGHT AGAINST CORRUPTION**

**10. Commitment to fighting corruption in all its forms, including extortion and bribery**

Assessments, policies, objectives and initiatives implemented

Risk of active and passive corruption (p. 59)

Adoption of the 231/01 Organization and Management Model and its extensions in foreign companies (p. 60-61)

Formalisation of a Code of Ethics and of a Code of Business Conduct for the Group (p. 60-61)

Performance indicators

GRI 102-16 (p. 52-53)  
 GRI 205-3 (p. 61)

# 1.5

## SUSTAINABILITY GOALS

Panariagroup aims to improve its impact on society in economic, social and environmental terms; for this reason, specific sustainability objectives that will be im-

plemented are announced every year. These objectives represent **a commitment that the Group makes towards its stakeholders.**

### OBJECTIVES DECLARED IN NFS17



#### BUSINESS ISSUES

TARGET 2018

##### OBJECTIVES DECLARED IN NFS17

##### PROGRESS

Industry 4.0: adherence to digitization incentives (Article 3 of Legislative Decree no. 145 of 23 December 2013, as replaced by Article 1, paragraph 35 of the 2015 Stability Law and amended in the 2017 Budget Law).

Investments were made for the purchase of new machinery. The interconnection of the facilities, a fundamental prerequisite for certifying investment in the "Industry 4.0" program, is scheduled for 2019.



Installation of new facilities at the Italian Business Unit, in particular no. 1 sorting line at the Toano plant, no. 1 sorting line at the plant and no. 1 drying room at the Fiorano Modenese plant.

The creation of the drying room at the Fiorano Modenese plant was postponed to 2019.



Installation of new facilities at the Portuguese Business Unit: installation of a glazing line for large formats and increased production potential for double loading at the Ilhavo plant, no. 1 digital machine at the Aveiro plant.

The objective has been achieved.



Creation of new areas for the storage of the finished product at the Aveiro plant and redesign of logistics management for the Portuguese Business Unit.

The objective has been achieved.



Completion of the construction of the new Florida Tile showroom, covering an area of 400 sq. m at the Lexington site.

The objective has been achieved.



TARGET 2019

Extension of the covered area of the Fiorano Modenese plant for the expansion and optimisation of large format slab production.

Objective confirmed for 2019.



#### QUALITY AND ENVIRONMENT

TARGET 2018

##### OBJECTIVES DECLARED IN NFS17

##### PROGRESS

Progressive introduction of EPDs (Environmental Product Declarations) for all porcelain stoneware and laminated stoneware collections by the Brands in the Italian Business Unit, through installation and use of dedicated software.

The objective has been achieved.



Upgrading of quality and environmental management systems to comply with the new ISO 9001:2015 and ISO 14001:2015 standards for the Italian and Portuguese Business Units.

The objective has been achieved.



Implementation of a quality management system certified according to ISO 9001:2015 for the US production plant.

Objective suspended due to an internal assessment of an organizational nature that led to the choice of different priorities.



Total replacement of fluorescent neon lights with installation of LED and magnetic induction lighting systems at the Toano plant (Italy) to significantly reduce electricity consumption.

Objective will be completed in 2019.



Optimisation of management, purification and recovery of wastewater and sludge at the Italian plants.

The objective has been achieved.



Installation of ventilation systems to improve the working environment inside the press and spray-drying departments of the Florida Tile plant in Lawrenceburg.

The objective has been achieved.



Introduction of a structured recycling system at the offices of the Italian Business Unit and an awareness campaign for a "green" workplace.

The objective has been achieved.





## SUPPLY CHAIN

TARGET 2019

### OBJECTIVES DECLARED IN NFS17

#### PROGRESS

Introduction of a standardized system to assess new suppliers on the basis of social and environmental criteria, as well as criteria related to human and workers' rights.

Objective confirmed for 2019.



TARGET 2020

Development of an Impact Assessment and Risk Analysis of social and environmental impact in the supply chain.

Objective confirmed for 2020.



## GOVERNANCE

TARGET 2018

### OBJECTIVES DECLARED IN NFS17

#### PROGRESS

Commitment to the principles of the UN Global Compact.

The objective has been achieved.



Improvement of the access control system at the Italian Business Unit's sites, through installation of dedicated IT supports.

The first part of the work was carried out, but these activities are also planned for 2019 and 2020.



Formalisation of a Code of Ethics for the Group.

The objective has been achieved.



Adaptation to the new European privacy regulations.

The objective has been achieved.



TARGET 2019

Installation of a SAP information system to manage all of the Portuguese Business Unit's processes.

Objective confirmed for 2019.



## HUMAN RESOURCES

TARGET 2018

### OBJECTIVES DECLARED IN NFS17

#### PROGRESS

Implementation of a bonus system for managers linked to the company's financial results.

The bonus system concerns Commercial managers at the Italian Business Unit, as originally planned.



Informative initiatives on Sustainability for employees, with dedicated meetings and periodic newsletters.

The objective has been achieved.



Introduction of scholarships for the employees at the Portuguese Business Unit as an incentive to achieve individual training objectives.

Objective suspended in favour of other initiatives developed in 2018.



A campaign for free and voluntary flu vaccinations for employees at the Italian Business Unit.

The objective has been achieved.



Introduction of new health and ergonomics courses in the Florida Tile plant and showrooms.

The objective has been achieved.



Introduction of emotional intelligence training courses for the Portuguese Business Unit.

Objective suspended in favour of other initiatives developed in 2018.



TARGET 2019

Creation of a reward system for employees who distinguish themselves in activities related to environmental protection (an "ecological merit award") at all Business Units.

Objective confirmed for 2019.



Improvement of activities to listen to staff at the Italian and US Business Units (e.g. climate analysis, etc.)

Objective confirmed for 2019.





# NEW OBJECTIVES

To confirm its commitment to the advancement of a business model that integrates economic, social and environmental responsibility in all the activities and in all the aspects regarding the Group, Panariagroup, following on from the previous year, has defined **new sustainability objectives**, listed below.



## BUSINESS ISSUES

### TARGET 2019

Installation and launch of a dry-grinding line in the Finale Emilia plant, enabling recovery of powders during the milling of the mix and a consequent reduction in the production of waste (sludge) compared to when using a wet system.

Installation and launch of a dry-grinding and polishing line in the Aveiro plant, enabling recovery of powders during the milling of the mix and a consequent reduction in the production of waste (sludge) compared to when using a wet system.

### TARGET 2019

Adaptation to the Italian legislation introducing obligatory "electronic invoicing".

First-time adoption of the IFRS 16 Accounting Standard in relation to lease and rental contracts.

## GOVERNANCE



## QUALITY AND ENVIRONMENT

### TARGET 2019

Partial replacement of fluorescent neon lights and installation of LED and magnetic induction lighting systems in the Ilhavo and Aveiro (Portugal) plants to obtain significant electricity reductions.

Complete removal of asbestos roofing at the Fiorano Modenese (Italy) site and replacement with eco-friendly materials.

Introduction of automatic washing systems for the glaze application machines to reduce water consumption at all the Italian plants.

Installation of soundproofing systems in the grinding department at the production sites in Portugal and the USA.

Work on dust extraction systems to reduce airborne silica in the Lawrenceburg (USA) plant.

Partial renovation of roofing in all of the Group's plants, using eco-friendly materials.

Campaign to replace lead-acid batteries with lithium batteries, which have a longer life and are less polluting, for automatic vehicles for handling finished products.

Progressive elimination of lamination from communication tools.

### TARGET 2019

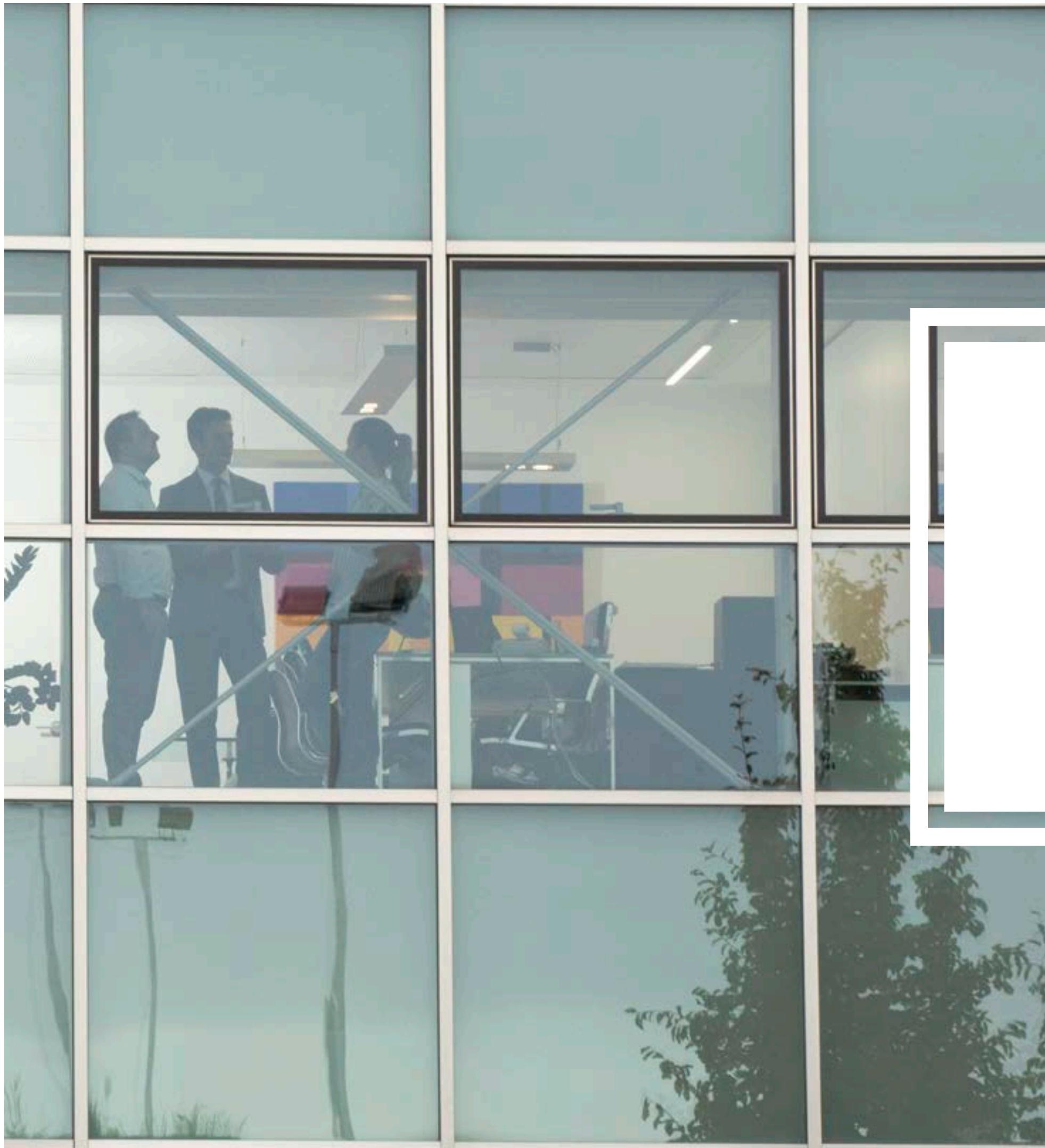
Modification and extension of the drinking water distribution service for employees in the Italian Business Unit.

Structured training plan for the sales force in the Italian Business Unit.

Improvement of communication channel with employees, through a dedicated software in the Italian Business Unit.

## HUMAN RESOURCES





THE **GROUP**



We must observe changes  
in the world, but we must  
not limit ourselves to watching.  
Our Group's reaction  
must be action:  
sustainable action.

---

**94.5%**  
of waste is sent for recycling.





# 2.1

## GROUP PROFILE

With over 1,700 employees, more than 10,000 customers<sup>7</sup>, 6 production plants (3 in Italy, 2 in Portugal and 1 in the USA) and a turnover of 371 million euro in

2018, **Panariagroup is one of the leading producers of ceramic tiles for floor and wall coverings** and is positioned in the high-end and luxury segments.



**6** production plants

**19.2** millions of euro invested

**371** 2018 turnover in millions of euro



7. Customers with a sales level over 1,000 euro were considered.

more than **10,000** customers

**1,741** employees

around **23** millions of m<sup>2</sup> produced

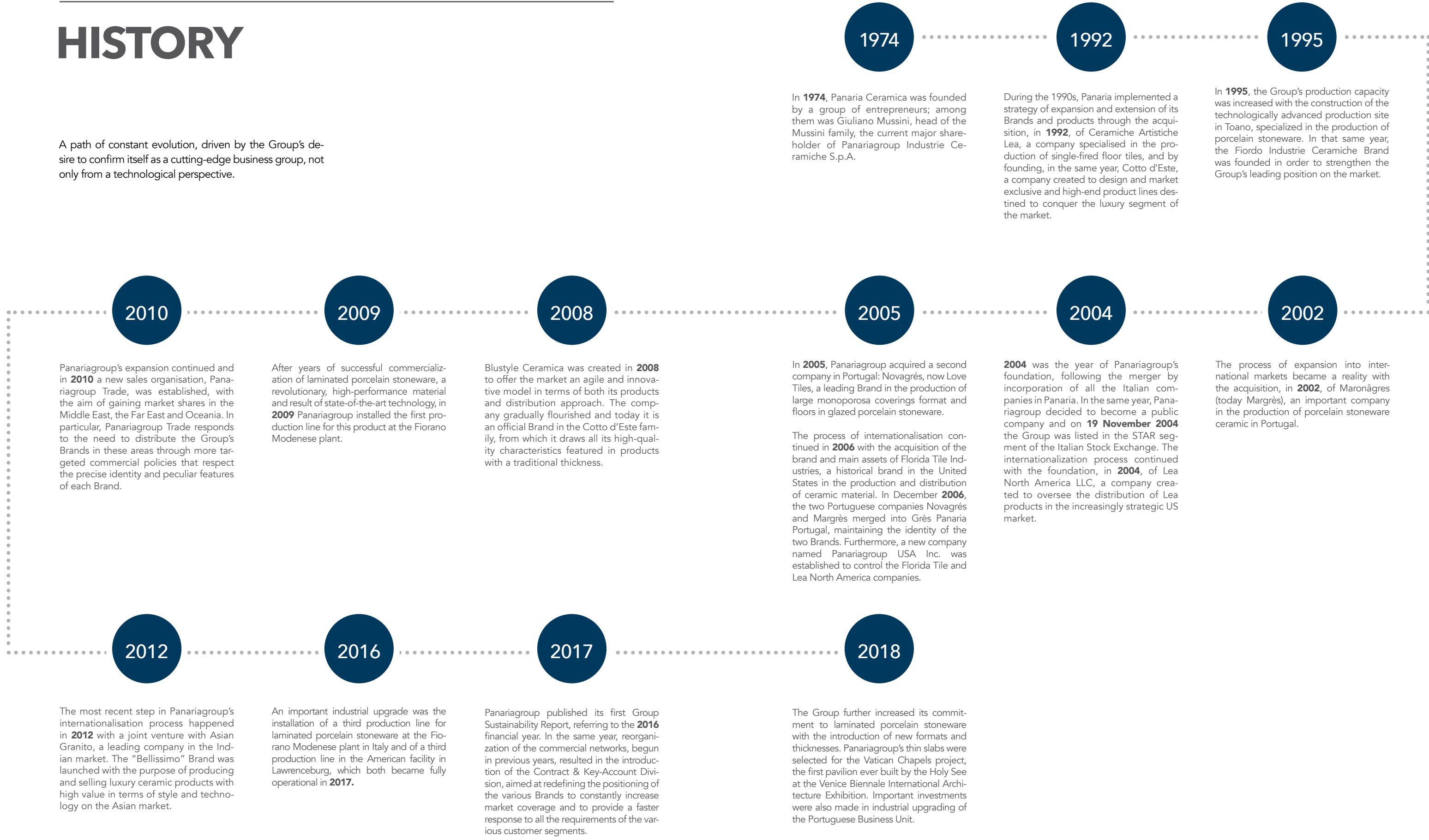
**9** Brands

sales in over **130** countries

# 2.2

## HISTORY

A path of constant evolution, driven by the Group's desire to confirm itself as a cutting-edge business group, not only from a technological perspective.



1974

In **1974**, Panaria Ceramica was founded by a group of entrepreneurs; among them was Giuliano Mussini, head of the Mussini family, the current major shareholder of Panariagroup Industrie Ceramiche S.p.A.

1992

During the 1990s, Panaria implemented a strategy of expansion and extension of its Brands and products through the acquisition, in **1992**, of Ceramiche Artistiche Lea, a company specialised in the production of single-fired floor tiles, and by founding, in the same year, Cotto d'Este, a company created to design and market exclusive and high-end product lines destined to conquer the luxury segment of the market.

1995

In **1995**, the Group's production capacity was increased with the construction of the technologically advanced production site in Toano, specialized in the production of porcelain stoneware. In that same year, the Fiorio Industrie Ceramiche Brand was founded in order to strengthen the Group's leading position on the market.

2010

Panariagroup's expansion continued and in **2010** a new sales organisation, Panariagroup Trade, was established, with the aim of gaining market shares in the Middle East, the Far East and Oceania. In particular, Panariagroup Trade responds to the need to distribute the Group's Brands in these areas through more targeted commercial policies that respect the precise identity and peculiar features of each Brand.

2009

After years of successful commercialization of laminated porcelain stoneware, a revolutionary, high-performance material and result of state-of-the-art technology, in **2009** Panariagroup installed the first production line for this product at the Fiorano Modenese plant.

2008

Blustyle Ceramica was created in **2008** to offer the market an agile and innovative model in terms of both its products and distribution approach. The company gradually flourished and today it is an official Brand in the Cotto d'Este family, from which it draws all its high-quality characteristics featured in products with a traditional thickness.

2005

In **2005**, Panariagroup acquired a second company in Portugal: Novagrés, now Love Tiles, a leading Brand in the production of large monoporosa coverings format and floors in glazed porcelain stoneware.

The process of internationalisation continued in **2006** with the acquisition of the brand and main assets of Florida Tile Industries, a historical brand in the United States in the production and distribution of ceramic material. In December **2006**, the two Portuguese companies Novagrés and Margrès merged into Grès Panaria Portugal, maintaining the identity of the two Brands. Furthermore, a new company named Panariagroup USA Inc. was established to control the Florida Tile and Lea North America companies.

2004

**2004** was the year of Panariagroup's foundation, following the merger by incorporation of all the Italian companies in Panaria. In the same year, Panariagroup decided to become a public company and on **19 November 2004** the Group was listed in the STAR segment of the Italian Stock Exchange. The internationalization process continued with the foundation, in **2004**, of Lea North America LLC, a company created to oversee the distribution of Lea products in the increasingly strategic US market.

2002

The process of expansion into international markets became a reality with the acquisition, in **2002**, of Maronâgres (today Margrès), an important company in the production of porcelain stoneware ceramic in Portugal.

2012

The most recent step in Panariagroup's internationalisation process happened in **2012** with a joint venture with Asian Granito, a leading company in the Indian market. The "Bellissimo" Brand was launched with the purpose of producing and selling luxury ceramic products with high value in terms of style and technology on the Asian market.

2016

An important industrial upgrade was the installation of a third production line for laminated porcelain stoneware at the Fiorano Modenese plant in Italy and of a third production line in the American facility in Lawrenceburg, which both became fully operational in **2017**.

2017

Panariagroup published its first Group Sustainability Report, referring to the **2016** financial year. In the same year, reorganization of the commercial networks, begun in previous years, resulted in the introduction of the Contract & Key-Account Division, aimed at redefining the positioning of the various Brands to constantly increase market coverage and to provide a faster response to all the requirements of the various customer segments.

2018

The Group further increased its commitment to laminated porcelain stoneware with the introduction of new formats and thicknesses. Panariagroup's thin slabs were selected for the Vatican Chapels project, the first pavilion ever built by the Holy See at the Venice Biennale International Architecture Exhibition. Important investments were also made in industrial upgrading of the Portuguese Business Unit.

# 2.3

## PANARIAGROUP WORLDWIDE

Panariagroup is active both in Italy and abroad with **nine Brands**: Panaria Ceramica, Lea Ceramiche, Cotto d'Este, Blustyle, Fiorido, Florida Tile, Margrès, Love Tiles and Bellissimo. The Group is able to satisfy a diverse clientele that is attentive to products' technical and aesthetic quality. In 2018, the Group started a process of integration with the Fiorido Brand, which will be included in the Panaria Ceramica Brand starting from 1 January 2019.

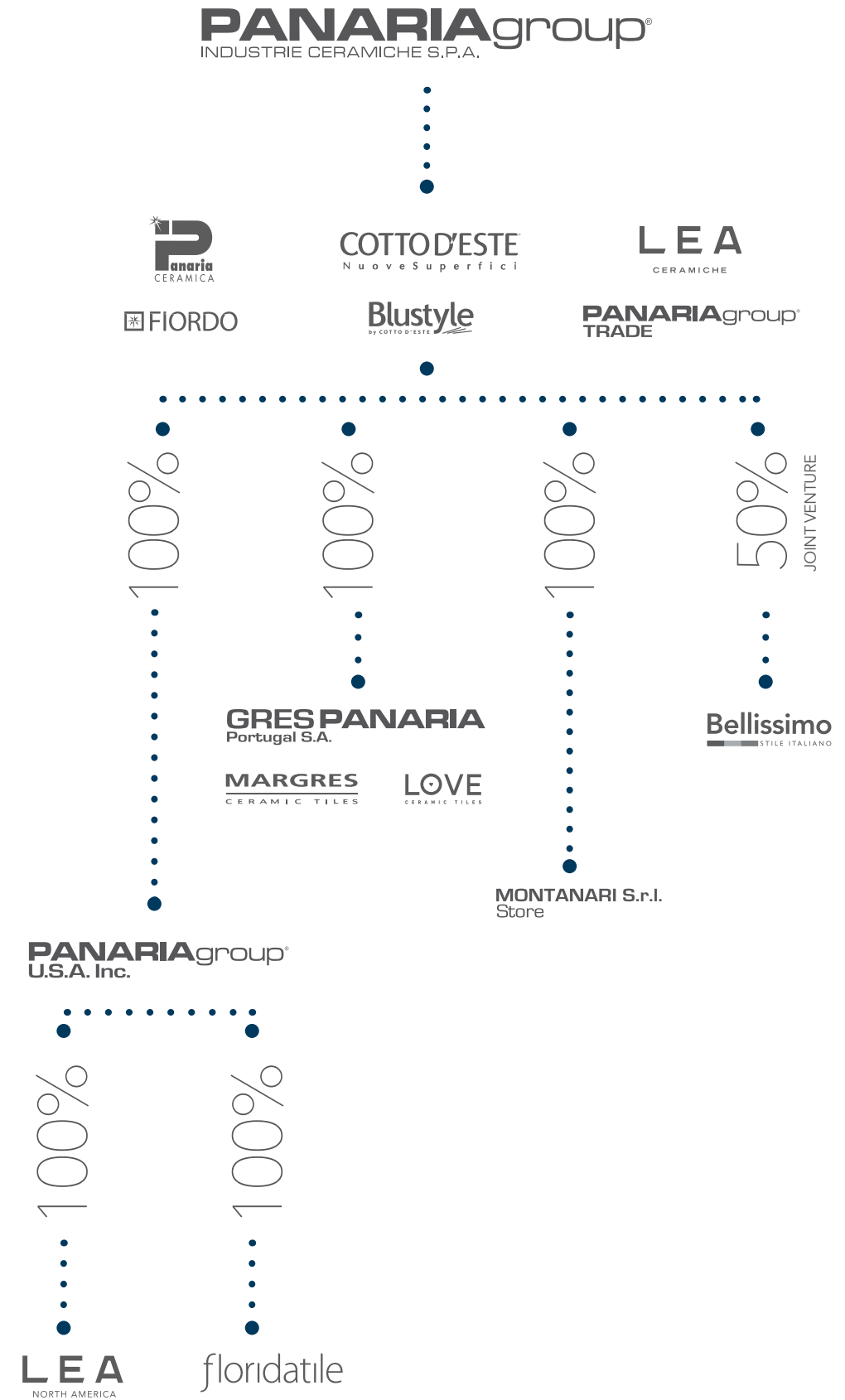
The Panariagroup Group consists of the Parent Company Panariagroup Industrie Ceramiche S.p.A. with registered offices in Finale Emilia, Modena (Italy), Gres Panaria Portugal SA with registered office in Ilhavo in Portugal and Panariagroup USA Inc., which owns the Florida Tile Inc. and Lea North America LLC. Companies, with registered offices in Delaware (USA). Furthermore, the Group owns Montanari Ceramiche S.r.l., with registered offices in Finale Emilia, Modena (Italy), a retail outlet for the Group's ceramic material.

**The Group's 6 production sites** are located in Finale Emilia, Fiorano Modenese and Toano in Italy, Ilhavo and Aveiro in Portugal and Lawrenceburg, Kentucky in the United States. The Group has two further storage and shipping centres in Casalgrande and Sassuolo (Italy).

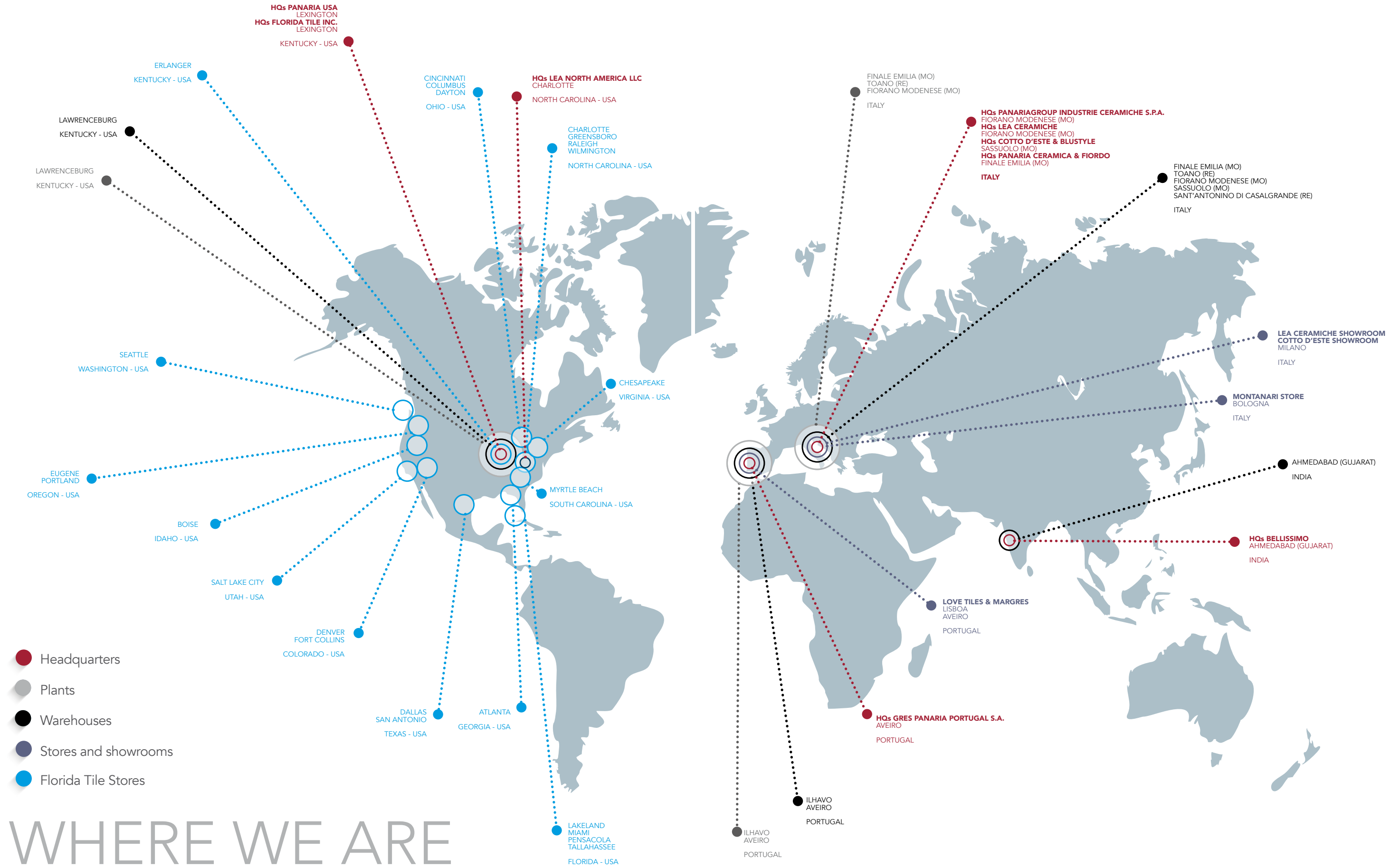
Panariagroup has a **large and widespread sales network** that covers Italy, Portugal, the United States, India and over 130 countries worldwide. In fact, the Group's sales network supplies over 10,000 customers worldwide, mainly retailers, but also distributors, construction companies and customers engaged in major projects.

Marketing and distribution at national and international levels of all Panariagroup products is coordinated by an organisation of around 1,000 people, including area managers, commercial correspondents, sales agents and promoters. Moreover, **in the United States, the Group directly manages 24 stores** located throughout the USA.

Panariagroup has a **large and widespread sales network** that covers Italy, Portugal, the United States, India and over 130 countries worldwide.







# WHERE WE ARE

# 2.4

## THE GROUP'S PRINCIPLES AND VALUES

Panariagroup's mission is **to grow and to create well-being** in harmony with people and the environment, with great willingness, passion and love for our work.

### PRINCIPLES

The following **principles guide all the Group's daily activities** and represent the fundamental values underlying its company mission:

#### RESPONSIBLE COMMUNICATION AND TRANSPARENCY

Panariagroup is committed to ensuring transparent company management, communication and information.

#### RESPONSIBILITY AND REGULATORY COMPLIANCE

The Group, in the course of its business activities, acts in compliance with applicable laws and regulations, as well as with internal regulations and procedures. Compliance with national and international regulations is a binding and essential condition for the Group and it requires all its partners, whether they have a permanent or temporary and direct or indirect relationship with the Group, to ensure that they follow the principles of conduct in the same responsible manner in relations with the Group.

#### ETHICS IN COMMERCIAL RELATIONS

The Group requires compliance with all the rules and provisions, both national and international, concerning the fight against money laundering and against active and passive corruption.

### VALUES

In the course of its sustainable value creation activities, **the Group pursues the following values:**

#### TECHNOLOGICAL LEADERSHIP

We constantly invest in research, technologies and state of the art facilities to meet every architectural and interior design need with innovative solutions, capable of becoming the industry benchmark.

#### AESTHETIC QUALITY AND EXCELLENCE

We strive for industrial excellence, from the quality of raw materials to process efficiency, in order to achieve products that combine the maximum aesthetic value with the highest technical performance.

#### RESPONSIBILITY

We always place people and quality of life at the centre of our attention, with safe, environmentally sustainable products, by operating with the utmost respect for those who work with us.

#### RELIABILITY

The guarantee of a Group which, from its family roots in the Sassuolo ceramic district to its listing on the Milan Stock Exchange, has grown to become a solid international company, which operates throughout the world while maintaining an Italian core.

# 2.5

## ORGANISATIONAL STRUCTURE AND GOVERNANCE

Panariagroup is a public company which, in 2004, joined the MTA, the leading equity market managed by the Italian Stock Exchange, in the STAR (High Requirement Shares) segment.

Its insertion in the STAR segment involved adjustment of the company's organisational structure in accordance with principles established by the Code of Conduct adopted by Borsa Italiana in March 2006, as well as with international best practices. **Panariagroup's organisational model is based on the traditional model**, formed of 3 corporate bodies: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The **Shareholders' Meeting** represents all the shareholders. It is the body in charge of making decisions, in ordinary and extraordinary sessions, relating to matters reserved to its competence by law or by the Articles of Association.

The **Board of Statutory Auditors** is in charge of monitoring matters such as respect of the law and Articles of Association, correct administration standards, the adequacy of the company's organisational structure, internal control mechanisms and the adequacy of instructions given to the various subsidiaries relating to information that must be provided in order to comply

with reporting requirements. Furthermore, it monitors compliance with the provisions established by Legislative Decree 254/2016 and reports its findings in the annual report to the Shareholders' Meeting.

The **Board of Directors** manages Panariagroup and pursues the primary objective of creating value for shareholders, actively working to define industrial strategies and directly intervening in all the decisions relating to the most important management matters, which fall within the Board's exclusive remit. With regard to the Non-financial Consolidated Statement, the BoD ensures that the non-financial statement is prepared and published in compliance with the provisions of Legislative Decree 254/2016, approves the Group's materiality matrix and NFS within the same terms set out for the presentation of the draft financial statements and makes it available to the appointed auditing firm and supervisory body.

Panariagroup's **Board of Directors** is made up of 10 members: five executive directors, two non-executive and non-independent directors and three non-executive and independent directors. Since its establishment, the Board has been led by the Mussini family and it is still chaired by Emilio Mussini, while operational management is entrusted to Giuliano Pini, the Group's Managing Director and CEO.

The Board of Directors pursues the **primary objective of creating value for shareholders** - directly intervening in all the decisions relating to the most important management matters - which fall within the Board's exclusive remit.

## COMPOSITION OF THE BOARD OF DIRECTORS AT 31.12.2018

FULL NAME	ROLE	EXECUTIVE ROLE	AUDITING COMMITTEE	RELATED PARTIES COMMITTEE	REMUNERATION COMMITTEE
EMILIO MUSSINI	Chairman and CEO	●			
PAOLO MUSSINI	Vice-President and CEO	●			
ANDREA MUSSINI	Vice-President				
GIULIANO PINI	CEO	●			
GIULIANO MUSSINI	Administrator				
SILVIA MUSSINI	Administrator				
DANIELE PRODI	Administrator		●	●	●
SONIA BONFIGLIOLI	Independent Administrator		●	●	●
TIZIANA FERRARI	Independent Administrator		●	●	●
FRANCESCA BAZOLI	Independent Administrator				





The presence of non-executive and independent Directors in the Board of Directors aims to **guarantee debate and dialogue between all the Directors** when taking Board decisions, ensuring their compliance with the company's interests and allowing the Board to deal with matters related to sources of potential conflict of interest with sufficient independence.

The Board of Directors also encompasses:

- the **Control and Risk Prevention Committee**: it has a consulting and advisory role and reports to the Board of Directors about its work and the adequacy of internal controls. **The Committee is completely autonomous and independent** both from the CEOs, as regards the issues of safeguarding the company's integrity, and from the auditing firm, as regards the evaluation of the conclusions drawn in their report and in their advisory letter. Furthermore, it examines the Group's materiality matrix of the Group and the Consolidated Non-Financial Statement before approval by the Board of Directors;
- the **Remuneration Committee**, in charge of formulating proposals to be brought before the Board of Directors, in the absence of the interested parties, for remuneration and for possible stock option or stock assignment plans of the CEOs and of those in specific roles within the company. Complete details on the Remuneration Policies for the Board members are available on Panariagroup's official website at the link "Report on Remuneration";
- the **Related Parties Committee**, in charge of monitoring and ensuring transparency and openness

in any Operation involving Related Parties, as per the "Procedure for operations with Related Parties" approved by Panariagroup's Board of Directors. Panariagroup's Related Parties are: the parent company Finpanaria; the associated company Immobiliare Gemma; the companies under direct and indirect control; the Directors and their families.

In order to effectively oversee Sustainability issues, Panariagroup has established a "CSR Operating Committee".

The **CSR Operating Committee** is in charge of **choices regarding sustainability and corporate social responsibility** and is responsible for coordinating the reporting process of data relating to this Sustainability Report in terms of definition and management of the operational process of non-financial reporting, management of collection and consolidation of data and information on the Group's entire scope (Italy, Portugal and USA) and drafting of the document. The members of this committee are representatives of different business functions: the Group Administration, Finance and Control Department, the Marketing Department and the Engineering, Quality and Environment Department.

With regard to the foreign Divisions (Portugal and USA), local contact persons have been identified who deal with the management and supervision of sustainability issues and the non-financial reporting process at local level in order to guarantee direct and active involvement.

## 2.6

# SUSTAINABILITY RISK MANAGEMENT

Panariagroup has an internal control and risk management system in place to **ensure sound and efficient management**, as well as to identify, prevent and manage business performance risks as much as possible.

The Group has defined a risk management and internal control system, which, together with the guidelines, procedures and techniques adopted and put in place by the Board of Directors, executives and other parties in the company, aims to deliver a **reasonable degree of certainty concerning the fulfilment of targets** in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial and non-financial information, for both third parties and internal purposes;
- compliance with current laws and regulations and with internal rules and policies.

In particular, the main risks identified, please refer to the "Risk Management" section of the Director's Report in the Consolidated Financial Statements of 31 December 2018 for details, are linked to:

- the general condition of the economy;
- credit and liquidity;
- the market in which the company operates (risks linked to competition and changes in raw material costs);
- dependency on key people.

The Group, aware of the importance of non-financial risks, also covered by Legislative Decree 254/2016, has identified further risks that are internally monitored on a daily basis. The main risks are shown below.

### ENVIRONMENTAL RISK

Risks related to incorrect management of energy and emission sources, water resources and waste, or to the

possibility that industrial accidents that can have an environmental impact may occur.

Risks related to the failure by suppliers to properly manage natural resources and to the loss of biodiversity, particularly in relation to the activities of suppliers of raw materials whose extraction processes could significantly impact the environment.

With regard to the environment, **the Group has adopted an integrated Quality, Environment, Hygiene and Safety management system**. In particular, a system compliant with ISO 9001 and ISO 14001 standards has been developed for the European offices.

In particular, in Italy, as required by Legislative Decree no. 152/06 on "Environmental Regulations", Panariagroup has obtained renewal of the Integrated Environmental Authorization for the Finale Emilia, Toano and Fiorano Modenese plants (IPPC Directive - Integrated Pollution Prevention and Control).

Furthermore, this risk is monitored on a daily basis during production and storage activities, which are considered the most significant for the Group, through **monitoring tools of the main indicators linked to potential direct impact** (including, for example, spills in the local area, incorrect disposal of hazardous waste and water leaks from production circuits).

With regard to indirect environmental impact, in 2018 Panariagroup drafted its own Code of Business Conduct in order to promote, along the entire supply chain of goods and services, including suppliers and sub-suppliers (and their employees), the adoption of behaviour aimed at protecting the environment, in **compliance with standards and regulations in Italy and in the countries of production and delivery**, and in line with the Group's environmental protection principles and objectives, encouraging its suppliers to

reduce the environmental impact of their activities and to safeguard natural resources.

In particular, the Code of Business Conduct calls for adoption and respect, as much as possible, of:

- the precautionary principle, made explicit by principle 15 of the Rio Declaration, which requires the implementation of a precautionary approach in order to protect the environment;
- product life cycle analysis, including packaging;
- emission reduction measures;
- energy saving strategies and where possible the use of renewable energy sources;
- provisions for an environmentally friendly logistics chain;
- water saving programs.

In addition, the company strives every day to mitigate its own indirect impact, taking into consideration, when selecting partners with which to establish new business relationships, commitment to environmental and social issues and the adoption of Corporate Social Responsibility criteria.

## RISK OF HUMAN RIGHTS VIOLATIONS

Risks related to violations of human and workers' rights (abolition of child labour, forced labour and protection of freedom of association and collective bargaining) and to potential cases of discrimination. The risk is connected in particular to the Group's suppliers operating in countries where legislation in this area is less stringent than in Italy.

Panariagroup is particularly attentive to the management and prevention of this type of risks, through **compliance with national and international laws**

**and regulations, as well as through Panariagroup's internal rules within all the Group's companies.**

Furthermore, in **2018 Panariagroup prepared a Group Code of Ethics that defines the principles, values and standards of social and environmental responsibility** that guide daily business actions. This code demonstrates the company's commitment to implementing policies aimed at developing a culture of strong values in terms of ethics, justice and respect for human rights, inspired by the conventions of the International Labour Organization (ILO) and the OECD Guidelines for multinational enterprises, as well as by its participation in the UN Global Compact. In line with its focus on sustainability, Panariagroup has also prepared a Code of Business Conduct for the entire supply chain of goods and services with the aim of extending this commitment along the whole value chain.

## RISK OF FAILURE TO PROTECT HEALTH AND SAFETY IN THE WORKPLACE

Risks related to the Group's activities which, as a result of failure to comply with laws and internal regulations, may lead to accidents involving staff.

At Panariagroup's plants, offices and points of sale, maximum protection of the health and safety of all workers is guaranteed both through the full application of the national regulatory requirements of all the countries in which it operates and through an internal management system that includes procedures and tools to avert potential risks, to protect all workers from these risks and to constantly monitor the real situation in the workplace.

Panariagroup has adopted an integrated Quality, Environment, Hygiene and Safety management system aimed at ensuring protection and safety in the work-



Panariagroup has adopted its own **Organisational, Management and Control Model 231/01** as a guarantee of the principles and values of ethics and integrity.

place. In particular, for the European offices, a system compliant with ISO 9001 and ISO 14001 standards was developed, which is also compliant with UNI-IN-AIL Guidelines for the Italian offices, with the aim of developing and implementing internal procedures to prevent, monitor and manage accidents and incidents at work.

## RISK OF ACTIVE AND PASSIVE CORRUPTION

Risk related to behaviour or negligence that may lead to the occurrence of cases of corruption along the entire value chain.

Since 2009, the Parent Company Panariagroup Industrie Ceramiche S.p.A. has adopted its own **Organisational, Management and Control Model 231/01** as a guarantee of the principles and values of ethics and integrity, with particular attention to the issues of active and passive corruption along the entire value chain.

For the foreign companies, in line with the objective declared last year to extend the Model abroad, the information flows of the foreign companies (in Portugal and the USA) to the Italian Parent Company's Supervisory Body were formalised in order to extend the supervision and control of integrity, environmental and health and safety matters within the Group (for details, see the following paragraph, "Integrity and compliance").

# 2.7

## INTEGRITY AND COMPLIANCE

Ethics and compliance have always been one of the most important issues for both Panariagroup and its stakeholders. Panariagroup has always been particularly sensitive to the need to **ensure integrity, fairness and transparency in all company activities**, thus guaranteeing the protection of its reputation and image in the market and among all stakeholders.

As a listed company, Panariagroup endeavours to ensure maximum compliance with national and international regulations. **In 2009, Panariagroup Industrie Ceramiche S.p.A, the Group's Italian Parent Company, adopted the Organization, Management and Control Model** pursuant to Legislative Decree no. 231 of 8 June 2001. The adoption of the Model is a valid tool for raising awareness among all those working in the name and on behalf of Panariagroup and for guaranteeing the principles and values of fairness, integrity and ethics throughout the value chain.

**Mapping and analysis of risk areas is a cornerstone of the modus operandi of Panariagroup**, which, foc-

using on prevention, has adopted specific internal procedures and tools with the aim of monitoring, as well as preventing, cases of violation of regulatory compliance with a view to protecting human rights, workers and the company's reputation.

The Parent Company, alongside the adoption of the Model, has appointed a **Supervisory Body** (hereinafter also "SB"), **responsible for performing control tasks regarding the observance, efficiency and effective application of the Model** and its related internal procedures with a view to prevention and to updating the Model.

In 2018, in line with the objective declared last year to extend the Model abroad, the information flows of the foreign companies (in Portugal and the USA) to the Italian Parent Company's Supervisory Body were formalised in order to extend the supervision and control of corporate, IT (cyber risk), environmental and health and safety matters within the Group. The Parent Company's Supervisory Body has therefore extended its internal monitor-



The rules of conduct stated in the Code of Ethics contribute to **reinforcing the commitment towards an ever greater responsibility to doing business.**

ing and verification role to the subsidiaries with respect to the matters mentioned above, with the possibility of directly carrying out specific control actions on the individual Departments, Functions, Local Areas and Group companies.

Furthermore, in 2018, Panariagroup formalised a Code of Ethics identifying the set of values, behavioural regulations and principles of corporate ethics that Panariagroup embraces, orienting its decision-making processes around these values. The rules of conduct stated in the Code of Ethics, which the work of all the Group's companies is based on, contribute to reinforcing its commitment towards an ever greater responsibility to doing business with attention to social, environmental and ethical matters, as well as to the fight against active and passive corruption.

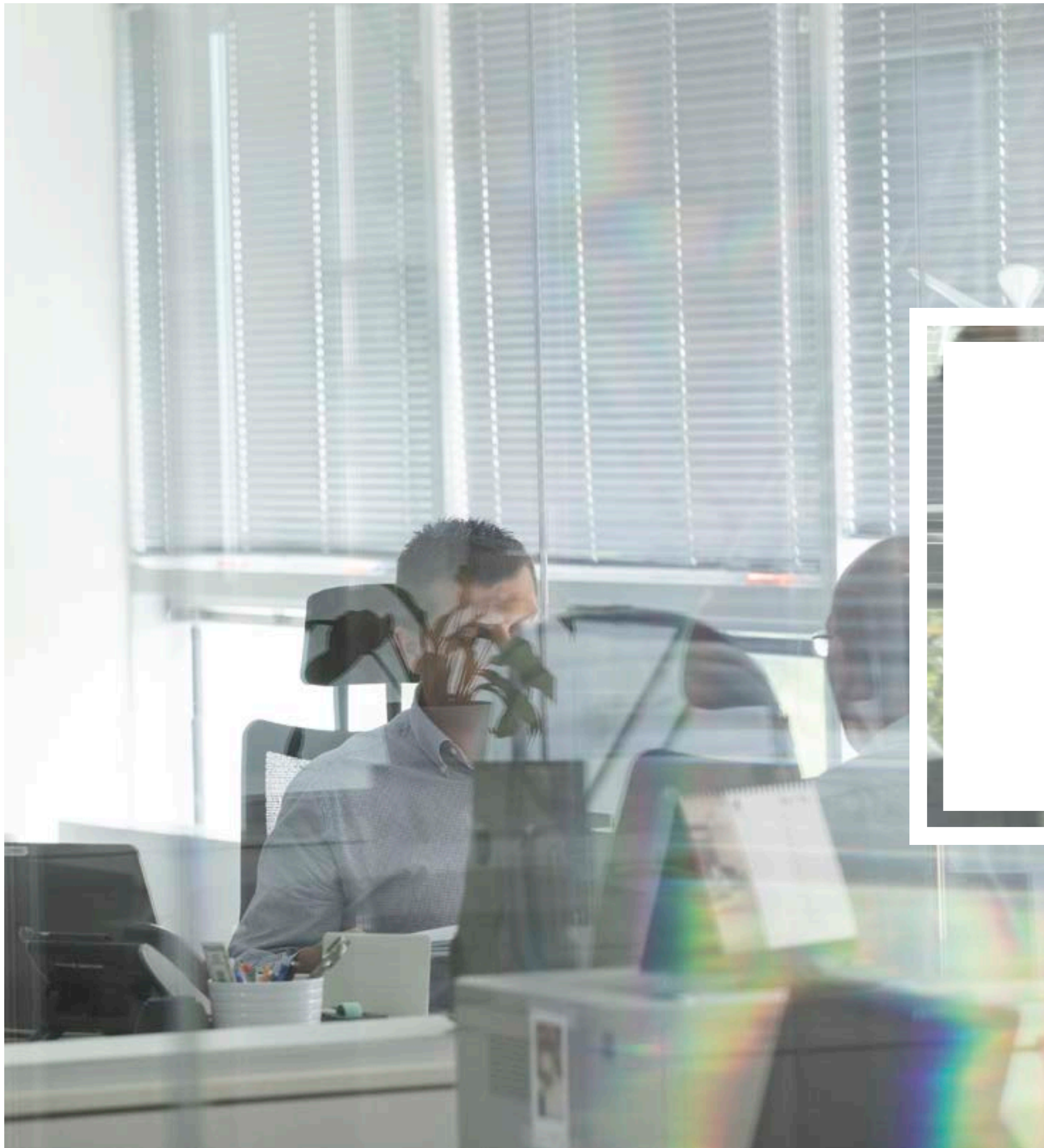
In this last regard, it should be noted that for both 2017 and 2018 there were no incidents of corruption at the Group level. Additionally, Panariagroup did not record any legal proceedings (pending or resolved) during the reporting period in relation to anti-competitive behaviour and there were no violations of anti-trust and monopoly legislation within the Group.

Furthermore, in 2018, with the aim of promoting responsible commercial practices in terms of ethics and integrity, as well as social and environmental responsibility, the Group prepared its own Code of Business Conduct, as a guideline for a sustainable and responsible supply chain.

This Code is part of a process of selection and monitoring of the Group's supply chain that requires verification of criteria related to the soundness, competitiveness and cost-effectiveness of the supplier, as well as of ethical, social and environmental responsibility criteria, which are fundamental prerequisites for the development of a lasting and transparent business relationship.

Finally, with regard to regulatory compliance, in 2018 the Group was not subject to significant fines and non-monetary sanctions for non-compliance with social, economic and environmental laws and/or regulations and there were no incidents of non-compliance with regulations and/or voluntary codes relating to the health and safety of the Group's consumers and relating to the information and labelling of products.





**ECONOMIC**  
RESPONSIBILITY

Generating wealth is the goal of everyone involved in business. Generating a sustainable future is the goal of those who do so responsibly.

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**Total waste recovery:**  
lower consumption of natural resources and more resources to invest.





# 3.1

## THE GROUP'S ECONOMIC RESPONSIBILITY

Panariagroup's history is rooted in **an area that is internationally renowned** for porcelain stoneware production. The Modena and Reggio Emilia areas, and specifically the Sassuolo area, are home to numerous companies whose core business is the production of ceramic surfaces. It is the **perfect context in which to grow an entrepreneurial project** that aspires to the highest quality and manufacturing excellence.

Over the years, parallel to the economic development of the area, the technical ability of ceramic workers, who have begun to settle here, has also increased exponentially. However, with the advent of the economic crisis, many companies have struggled and some have opted to outsource production abroad. Panariagroup also found itself in this situation, but chose, with awareness and responsibility, to **keep its roots firmly in its land of origin**, maintaining the existing level of employment.

Panariagroup proudly represents "Made in Italy" and the key to its success are products developed in Italy. The Group considers it fundamental also **to support the prosperity of the areas in which it operates, maintaining employment levels**, promoting relations with

local communities and creating shared value. Even when operating outside Italy, Panariagroup has also maintained, over the years, a strong local identity, supporting the economic and social development of the area in which it operates (such as the Aveiro area in Portugal and Lawrenceburg in Kentucky).

Connected to the local community but also focused on national and international dynamics, the Group – partly due to its presence on the Stock Market – is always aware of its responsibility towards its current and potential shareholders and to financial institutions.

The Group is constantly committed to achieving development objectives aimed at **guaranteeing an increase in the company's value**, through appropriate reinvestment of profits and, depending on its financial results, an equally appropriate dividend policy to directly remunerate shareholders.

In order to maintain a constant exchange of information with the national and international financial community regarding the Group's management, **an Investor Relations body has been established** to manage the relationship with these important stakeholders.

The Group considers it fundamental also to **support the prosperity of the areas in which it operates, maintaining employment levels**, promoting relations with local communities and creating shared value.



The Group has a continuous relationship with investors and analysts from the financial community and is committed to transparent communication regarding the obligations resulting from its listing on the Milan Stock Exchange.

To further encourage dialogue with investors, the Group has set up a special section (called "Investor Relations") on its website ([www.panariagroup.it](http://www.panariagroup.it)) where the relevant information for its shareholders is available.

Panariagroup carried out various activities related to investors and financial stakeholders in 2018. In particular:

- participation in an **event dedicated exclusively to companies in the STAR segment**, organized by Borsa

Italiana in Milan in March 2018, to meet the Italian financial community.

- constant and continuous dialogue with **Credit Institutions;**
- **dedicated meetings with investors, at company sites**, aimed at raising awareness about the company and the Panariagroup Group's production facilities.

The issues of greatest interest to investors during the year were business development, the competitive environment, investments and competitive advantage factors relating to the sector. Investors increasingly view the Sustainability Report as a way of further consolidating the company's position in the mid-high range of listed companies.



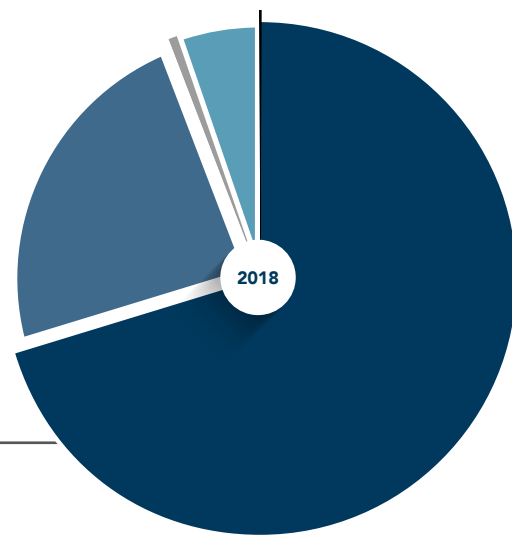
# 3.1.1

## GENERATED AND REDISTRIBUTED ECONOMIC VALUE

The economic value generated represents **the wealth produced by the Group, the majority of which is distributed to the stakeholders** with whom the Group interacts in its daily operations.

The classification of Generated Economic Value shown below reveals how the value created by the Group is distributed to the various stakeholders.

### DISTRIBUTION OF THE ECONOMIC VALUE GENERATED IN 2018



- **70.93%** Payments to suppliers
- **23.89%** Employee wages and benefits
- **5.22%** Retained in the company
- **0.45%** Payments to backers
- **0.07%** Payments to community
- **0%** Payments to shareholders
- **-0.56%** Payments to government

	2018 thousands of euro	2017 thousands of euro	DIFFERENCE thousands of euro	CHANGE
PAYMENTS TO SUPPLIERS	278,281	277,233	1,048	0.4%
EMPLOYEE WAGES AND BENEFITS	93,705	94,501	-796	-0.8%
PAYMENTS TO BACKERS	1,771	1,886	-115	-6.1%
PAYMENTS TO SHAREHOLDERS	0	3,145	-3,145	-100.0%
PAYMENTS TO GOVERNMENT	-2,185	3,863	-6,048	-156.6%
PAYMENTS TO COMMUNITY	263	225	38	16.7%
RETAINED IN THE COMPANY	20,477	32,032	-11,555	-36.1%
<b>ECONOMIC VALUE GENERATED</b>	<b>392,312</b>	<b>412,885</b>	<b>-20,573</b>	<b>-5.0%</b>
<b>ECONOMIC VALUE DISTRIBUTED</b>	<b>371,835</b>	<b>380,853</b>	<b>-9,018</b>	<b>-2.4%</b>

Comparison with the previous year shows a decrease in Value Generated of 20.6 million (-5%), which led to a reduction in Economic value distributed of 9.0 million euro and of the Economic value retained by the Company of 11.6 million euro.

With regard to the Economic Value distributed, the most affected stakeholders were the Public Administration and Shareholders, while, as a positive figure, the difference in value distributed to suppliers, staff, financiers and communities was minimal.

The decrease in Economic Value distributed to the Public Administration and Shareholders is closely related to the negative economic performance of the financial year, leading to a reduction in the tax burden compared to the previous year, which ended with a profit, making dividend distribution inappropriate.

**In 2018, the Panariagroup Group contributed to the socio-economic development of local communities in which the Group operates** through donations and sponsorships in support of charitable, sporting and industry associations. This support amounted to a total of around 263,000 euro.

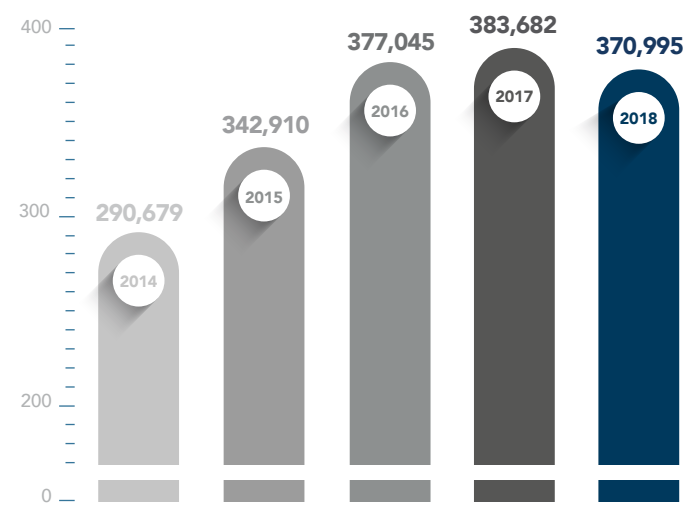
# 3.2

## 2018 FINANCIAL RESULTS

The graph below shows revenue performance over the last 5 years; despite the moderate slowdown last year (-3.3%), the overall performance was very positive, with

a positive change of over 80 million euro in the five-year period, with an average growth rate of 6.3%.

### REVENUES TREND 2014-2018



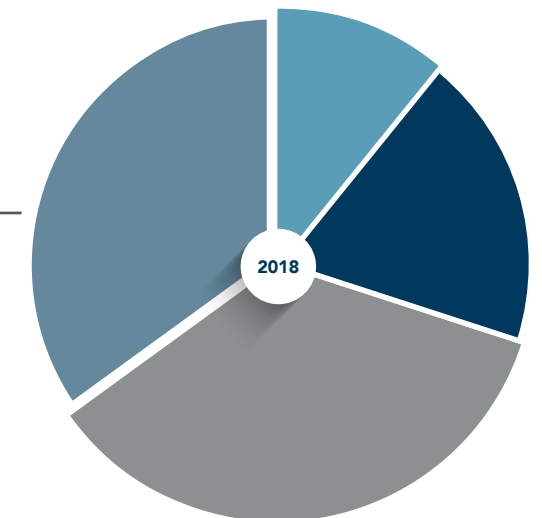
The 3.3% drop in turnover should be considered totally acceptable in view of the unfavourable macro-economic context; the result obtained, which substantially reflects the general trend in the Group's reference areas, nevertheless confirmed the strength of the market shares even in the harsh competition conditions that characterized 2018.

**For several years now, the Group has achieved balanced distribution of its business in the most important world markets in the high-end segment;** Panariagroup's internationalisation profile, which accompanied the diversification of sales (see chart below relating to 2018) to a local market coverage strategy, including from a production and logistic point of view, certainly represents, from a **strategic perspective**, an important strength.

**Panariagroup's international profile** certainly represents, from a strategic perspective, **an important asset.**

### TURNOVER DISTRIBUTION

- 36% Europe
- 34% USA
- 20% Italy
- 10% Other markets



Despite a moderate decline in turnover, there has been a significant deterioration in EBITDA, which dropped from 42.0 million euro to 19.3 million euro.

Consequently, the Net Profit also suffered a marked reduction, going from a profit of 11.4 million euro in 2017 to a loss of 4.1 million euro in 2018.

Aware that, by its nature, the ceramic sector is characterized by cyclical phenomena, the Group believes that the year's result falls into this category; the company, while hypothesizing that a turnaround in global trends will take some time, believes that its strategies must continue to focus on development.

The negative economic result in 2018 represents, in the company's view, a setback on a wider positive path, and it must not make anyone forget the Group's values

and strengths, such as strategic positioning, strong internationalization, widespread commercial distribution, state-of-the-art plant and technological equipment, a product portfolio, and expertise that is almost unequalled in the sector.

**The main assets are solid, with the Net Financial Position improving by 1 million euro compared to the end of 2017;** despite the reduction in operating margins and the consequent reduction in "cash" generation, the Group was able to implement corrective actions on the net working capital and containment of investments front, which made it possible to maintain the financial debt in line with the objectives.

# 3.3

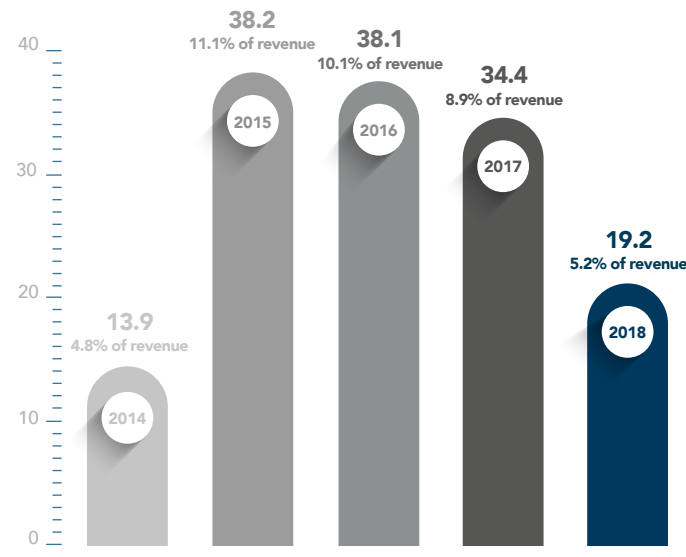
## INVESTING IN INNOVATION

Panariagroup's identity has always been strongly connected to manufacturing of the Group's Brands' products in its plants, with a constant policy of innovation, technological updating and efficiency improvement.

Even in years of increased economic uncertainty, **the Group continued to invest in its industrial sites** in or-

der to maintain its position in the small group of pioneers in the industry.

**In the last five years, the Group has always invested consistently**, as shown in the following table:



### INVESTMENT PER YEAR 2014-2018

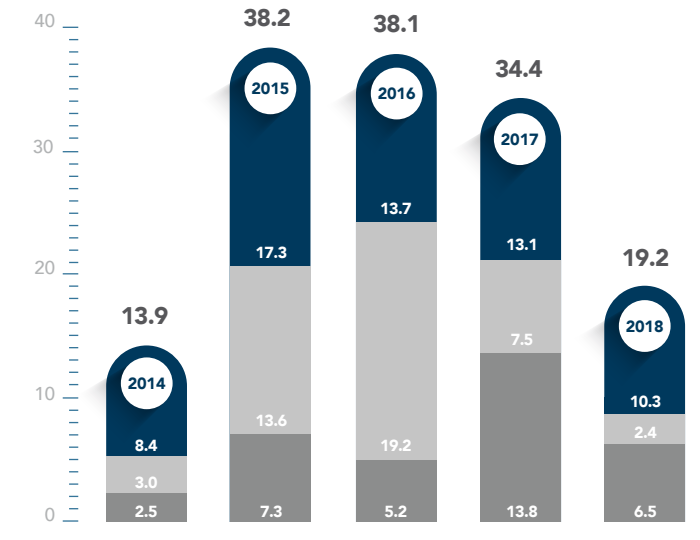
Total 2014-2018: 143.8 (8.1% of revenue)  
Figures in millions of euro

The investments in this period concerned all three of the Group's Business Units, as can be seen in the following table (figures in millions of euro).

owing table (figures in millions of euro).

### INVESTMENT PER BU

Figures in millions of euro



- Italy - Total 2014-2018: 62.8 (44% of total - 6.8% of turnover)
- Portugal - Total 2014-2018: 35.3 (25% of total - 10.9% of turnover)
- USA - Total 2014-2018: 45.7 (32% of total - 7.1% of turnover)

Following a particularly intense three-year period on the investment front, which was necessary to establish **solid industrial, logistic and organisational** bases appropriate to the strategic development plan, in 2018, **the Group continued its program to innovate, enhance and improve the efficiency of the industrial plants.**

In the first few months of the year a new complete line was launched at the Aveiro plant (Portugal) for the production of large-format floor and wall tiles; this investment, in addition to enabling an increase in production capacity, enables **another important step forward in terms of efficiency, productivity and competitiveness.** In the same site, in order to improve logistics management and to increase turnover, extensions were made to the areas dedicated to the storage, handling and shipment of goods. Moreover, a major investment was made in the press department at the Ilhavo (Portugal) plant, with the aim of introducing a particular type of "technical" product.

**The upgrading of the Portuguese production and logistics centre confirms its centrality in the Group's development strategies**, thanks to a combination of quality, expertise and competitiveness. With regard to the Group's Italian sites, a new rectification line was installed in the last few months of the year in the Finale Emilia plant, launched in February 2019. This investment makes it possible to internalize certain processes that were previously outsourced; the significant differential, in terms of cost per square metre, between internal and

external processing will allow recovery of expenditure in a period of less than 3 years.

Both the Finale Emilia and Toano plants dedicated to "traditional" stoneware underwent a series of interventions aimed at **more efficient management of "large formats", a type of product that the market has definitely geared towards in the segment covered by the Group.**

Important reorganization was also carried out in the Fiorano Modenese plant, dedicated to large laminated stoneware slabs. The goal of this intervention was to **make the factory more versatile and flexible:** it is now able to produce a wider range of product types, **always with a view to satisfying market trends and needs.**

As further evidence of its constant commitment to innovation, it should be noted that in **October 2018, Panariagroup presented the Ministry of Economic Development with a Research and Development project in response to the FRI - Sustainable Industry - Large Companies call for tenders.** This call for tenders was set up to finance programs and interventions "with a significant national impact on the competitiveness of the production apparatus, with particular regard to the promotion of research and development projects and innovation of strategic importance for reviving the competitiveness of the productive system." The Ministry approved the Project, recognizing its innovative characteristics, and issued the relevant decree on 19/11/2018.





**PRODUCT**  
RESPONSIBILITY





Producing innovative ceramics has a deep significance. It is like taking something old and inventing its future every day.

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**Large thin slabs:** less raw materials, less water and energy, lower CO<sub>2</sub> emissions.



# 4.1

## PRODUCT QUALITY, DESIGN AND SUSTAINABILITY

Technological innovation is key to Panariagroup for achieving new goals in the production of porcelain stoneware tiles and with regard to the environment. The Group's product range **combines the ancient art of ceramic with the most advanced standards** for floor and wall coverings, offering specific solutions for any kind of application, from large commercial surfaces to residential use.

At its plants, Panariagroup produces ceramic porcelain stoneware or monoporosa (single-fired) tiles. In particular, the porcelain stoneware ("grès porcellanato") denomination refers to an extremely compact, dry-pressed ceramic product characterised by excellent technical specifications (high mechanical strength and resistance to wear, chemicals and stains) and very low porosity. Due to these characteristics, the product, during the firing stage (at a temperature of over 1,200° C), **reaches complete vitrification**, acquiring extremely low water absorption properties and consequently frost resistance, making it suitable for outdoor installation.

Panariagroup is also a leading company in the production of **laminated porcelain stoneware, a revolutionary product manufactured with an extremely innovative system**, the result of very advanced and high-performance technology. Panariagroup's laminated

stoneware allows the creation of tiles characterised by reduced thickness (as little as 3mm), produced in whole 100x300 cm and 120x260 slabs without the use of moulds. A completely automated cutting line enables the creation of various commercial formats.

Extraordinary attention to quality during every step of the production cycle is another defining characteristic of Panariagroup's products: from the choice of raw materials to the next-generation industrial facilities, certifications and after-sales service. This all goes hand in hand with our **sustainability choices**, which represent **a continuous stimulus for innovation and process improvement**.

Concrete evidence of this are both the investment in a technology – laminated porcelain stoneware – that drastically reduces the environmental impact of the products and the choice to create, starting in 2010, **a growing line of antibacterial products, thanks to the exclusive PROTECT technology**. These products represent a solid guarantee for lifestyle improvement.

Panariagroup develops products through an outstanding process coordinated by the **Group's Product Development Department**, which aims to select the best market trends and to further develop them through a qualified research and to the highest stand-



ards in order to generate concepts for new collections. This process leads to the market launch, very efficiently and effectively in terms of time to market, of products that are increasingly able to meet the most advanced customer expectations.

Panariagroup products are created in an environment that is also highly devoted to design and maximum aesthetic performance: **the beauty of the materials draws on both strong internal research skills and maximum enhancement of the expertise of external partners**, as well as important collaborations with international designers.

**Particular care is taken over the aesthetic detail and surface finishes of the products, which thus obtain outstanding visual and tactile properties.** In 2018 the Group once again confirmed its commitment to innovating on this front with the introduction in certain marble-inspired collections of the uniquely soft and elegant "touch" surface.

The extraordinary quality of Panariagroup products is also reflected in the **numerous awards that the Group has won over the years: in 2018**, the "Concrete" collection by Lea Ceramiche received the illustrious **Good Design Award**.

In over 40 years of business, the Group's management team has consolidated exceptional skills and ceramic culture, which are expressed in the development of new ideas and in the finished product, constituting a major asset in the creation of high-quality collections. This is demonstrated by Panariagroup's countless ref-

erences around the world, where its **products have been chosen for extremely prestigious** architectural works, confirming the aesthetic and technical value of the Group's materials: **collaborations with leading names in architecture and design** and important partnerships that have resulted in projects (residential, commercial and large public works) and installations, as well as products designed by top international designers.

The Group thus confirms its ability to support complex projects, thanks to its structure as a large manufacturing company and to the expertise of its team, with the ability to control and modulate its output to satisfy even the most complex orders.

In 2018, Panariagroup's products and its Brands in particular were chosen for the construction of the **Torre Prada in Milan, Terminal 4 of Changi Airport in Singapore** and the **Siemens and Fastweb offices in Milan**. Its products were also used for the Vatican Chapels project, **the first pavilion of the Holy See at the Venice Biennale International Architecture Exhibition**.

The value of Panariagroup's skills and technology is also demonstrated by the major production work for other ceramic operators which have been turning to the company for several years to develop products for their catalogue.



# Focus on

## PANARIAGROUP'S CERAMIC SURFACES SELECTED FOR THE **FIRST PAVILION OF THE HOLY SEE** AT THE VENICE BIENNALE INTERNATIONAL ARCHITECTURE EXHIBITION



Panariagroup was **chosen to create one of the structures of the first Holy See Pavilion** built for the **Venice Biennale XVI International Architecture Exhibition**, held from 26 May to 25 November 2018.

Panariagroup contributed to the construction of the chapel designed by architect Francesco Cellini, providing the project with the **cutting-edge technology and aesthetic quality of large thin laminated porcelain stoneware slabs**, an example of Italian industrial excellence.

The collaboration with the Holy See for this sixteenth edition of the event certainly represented a unique opportunity to highlight the properties of these materials, which have contributed to giving the project a solemn and very light tone, perfectly in line with the spirituality of the chapel site, thus continuing the daily dialogue with architecture in an outstanding context.

The Pavilion, entitled "Vatican Chapels" and curated by Professor Francesco Dal Co and Micol Forti, took inspiration from the model of the Woodland Chapel, built in 1920 by famous architect Gunnar Asplund in the Stockholm Cemetery. It is divided into eleven chapels designed by eleven internationally renowned architects, gathered in the garden of the Cini Foundation on the island of San Giorgio Maggiore. The architects were given free rein to explore the architectural concept of the chapel, defined by the Swedish architect, who presented his own personal reading and vision of this building, as a place of orientation, meeting and meditation.

**The work of Cellini and Panariagroup placed the design of the material and its interaction with the surrounding environment at the centre of the construction**, through rational architecture that left plenty of room for reflection on the place and its meaning.

The structure was characterized by a rectangular parallelepiped volume and a central transept that intersects the ceiling perpendicularly, housing the chapel's two main symbols: the altar and the lectern. **The project also features a strong chromatic contrast created by the use of ultra-thin laminated stoneware slabs** with a texture inspired by iron, as well as glossy white slabs chosen to produce an effect that reflects the natural environment within it.

The clean and essential design was enhanced by the subtle ceramic surfaces that preserved the architecture's lightness and rationality. Panariagroup boasts the distinction of being the first ceramic company to introduce this extraordinarily innovative material on the market, in which it has consolidated its leadership over time. Thanks to their reduced thickness and resistance, **these revolutionary surfaces guarantee more flexibility**, making versatility and ease key strengths for responding to every architectural and interior design requirement, including accepting the challenge of the Holy See project.

The ceramic slabs chosen by Cellini for the project are produced by **the Group's main Italian Brands – Cotto d'Este, Lea Ceramiche and Panaria Ceramica** – and they have been used to cover the interior and exterior of architecture in a combination that blends the allure of an original architectural project with evidence of the technical and aesthetic performance of the materials.

**The project was carried out with the contribution and support of the Panariagroup team for large projects**, with assistance both in the planning phase and in the construction phase.

Vatican Chapels has been very successful in terms of visits (over 140,000 during the event) and has been well-received in the press and international Media.



# 4.2

## OUR BRANDS

Panariagroup's Brands, which have increased over the years to the current nine, all boast an equally strong international reputation and excellence from both an aesthetic and technical point of view. **Each Brand has a specific and distinctive character**, but they are all designed and developed to respond to the needs of a clientele which, though diverse, **demonstrates a particular attention to the quality and aesthetic style of the products.**

Below is a brief description of each Panariagroup Brand: all the Brands operate in the ceramic sector for floors and walls and position themselves in the high-end and luxury segment of the market, but each has its own characteristics and peculiarities. In 2018, the Group started a process of integration with the Fiordo Brand, which will be included in the Panaria Ceramica Brand starting from 1 January 2019.



**PANARIA CERAMICA** embodies the Group's great ceramics tradition, representing all main contemporary styles from the start. Panaria Ceramica is a Brand with a deep ceramic culture. It offers high-end products created mostly to be used in residential contexts and a catalogue of rich and structured collections with a wide range of formats and decorative complements.



**LEA CERAMICHE** is the perfect combination of visionary design and technologic performance, and it is a creative partner anywhere in the world, for any kind of architectonic project requiring distinction through a unique, recognisable style. Continuous innovation, absolute reliability of technical performance and the capacity to dare made Lea Ceramiche an undisputed key player in international architecture, signing important and prestigious partnerships with internationally renowned designers and architects.



**COTTO D'ESTE** is the most prestigious Brand in the field of ceramic surfaces. Its creations, synonymous with quality and beauty, are the product of fine craftsmanship and of a passionate and dedicated attention to detail. The profound commitment to aesthetic research and to developing unique and innovative technical solutions and environmentally friendly manufacturing processes has contributed to the Brand's reputation for excellence, as confirmed by important international references. Cotto d'Este's surfaces are available in the unique 14mm thickness, as well as in the famous Kerlite large ultra-thin slabs, which have revolutionized the world of ceramics.



**FIORDO** product ranges are contemporary, well-designed solutions, simple, easy to interpret. The products are designed for residential use but are also ideal for outdoor and commercial uses. As always, the aesthetic and technological qualities are of the highest.



**BLUSTYLE** is the Brand that offers all Cotto d'Este's quality and elegance with solutions in standard thickness that are simpler and affordable.



**MARGRES**, Portugal's leading Brand of technical porcelain stoneware and an important player in the international market, supplies high quality products for all types of construction in private or public spaces, meeting the needs of contemporary architecture with state-of-the-art production technologies, high quality raw materials and sophisticated aesthetic qualities.



**LOVE TILES** is the leading trademark in the Portuguese market of monoporosa wall tiles of large sizes and glazed porcelain stoneware for floors. Love Tiles products seek to be a first choice for those who feel passionately about the connection between people and their living spaces through the creation of elegant, unique and distinctive environments.



**FLORIDA TILE**, with a Kentucky manufacturing facility and 24 showrooms in the United States, creates and sells innovative porcelain and natural stone flooring designed specifically to meet the needs of the American market. It's been part of the Group since 2006, but with over sixty years of history, the Brand competes with national market leaders thanks to its new production capacity and the continuous technical and aesthetic innovation of its products.



**BELLISSIMO** was born from a partnership between Panariagroup and Asian Granito, a leading company in the Indian market. The mission of Bellissimo is to produce luxury ceramic tiles that are a combination between Italian style, technology and know-how and the architectural needs of the Indian building industry.



# 4.3

## INNOVATION AND TECHNOLOGY

Over the years, the Group has constantly evolved and it is now one of the most advanced players in its industry. One of the main factors behind Panariagroup's success is its **continuous Research and Development**, which aims to identify new manufacturing techniques and innovative product lines that can meet the needs of an increasingly discerning and diverse Clientele.

Panariagroup has **an important Research Centre that employs highly qualified technicians, engineers, architects and researchers**, all driven by the desire to constantly study new solutions in order to enable the Group to successfully compete in the ceramic floor and wall coverings sector, maintaining its position as a market leader.

**Process and product innovation is a constant target for Panariagroup** and this is reflected in all its plants in Italy, Portugal and the United States. Development and evolution of the production lines, continuous research and excellence in the selection of raw materials variety and richness in surface applications are a constant process and a daily challenge. The Group had the foresight to **invest in innovative technologies such as laminated**

**porcelain stoneware**, a revolutionary product that Panariagroup has focused on for over 10 years, leading to record sales all over the world and constant innovation capable of reinterpreting and evolving this technology for increasingly ambitious projects.

In 2018 this product underwent an important development thanks to the **production of two new types:**

- **two new formats (120x260 cm and 120x120 cm);**
- **a new thickness (6 mm).**

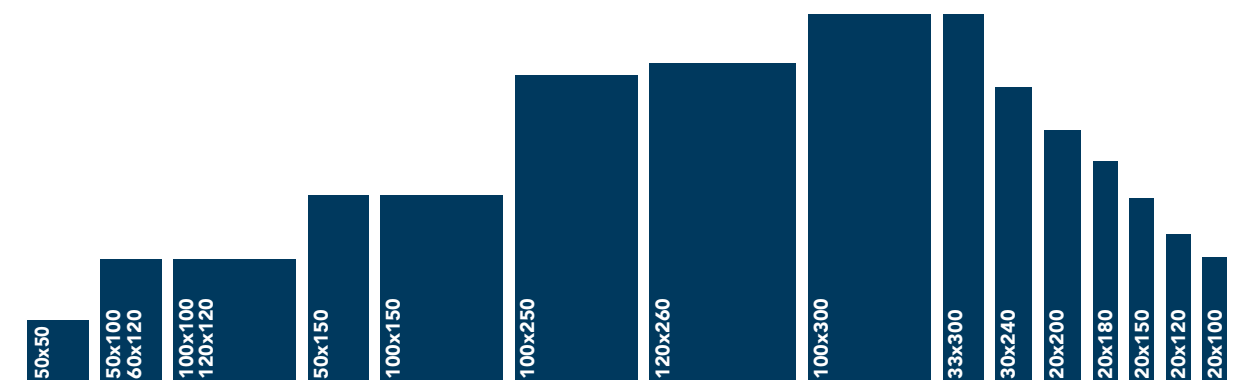
This allowed Panariagroup to complete its range of thin materials with a extensive and important set of formats and thicknesses, produced through a winning and distinctive technology, creating, in 2018, 8 collections in Italy and Portugal.

A further concrete demonstration of the Group's commitment to constant research into eco-sustainable products, **Panariagroup's 3.5 mm laminated porcelain stoneware stands out in particular for its high environmental performance** when compared with generic 10 mm porcelain stoneware.



## SUPERIOR QUALITY THIN CERAMIC SLABS

Large-sized laminated porcelain stoneware: a light, resistant and versatile product for new design perspectives in the world of architecture and housing.



**6mm** THIN AND RESISTANT

**3<sub>PLUS</sub>**

**5<sub>PLUS</sub>**

**6<sub>PLUS</sub>**

ULTRA-THIN AND ULTRA-RESISTANT WITH FIBREGLASS MESH REINFORCEMENT

### MOREOVER OUR SLABS ARE

- **Thin, light** and suitable for renovation projects
- **Easy** to work with, handle and lay
- **Flexible** (minimum radius of curvature up to 5 metres)
- Perfectly **flat**
- **Reliable**, thanks to our experience in supplying this product globally for over 10 years
- Available in a **wide range of big sizes**
- With the exclusive antimicrobial **Protect** shield

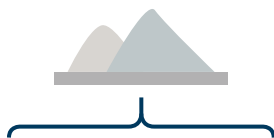
All processes are executed and managed in-house, from the application of the fibreglass mesh to polishing and rectification.



# WHY OUR SLABS ARE OF SUPERIOR QUALITY

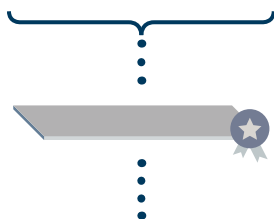
1

ONLY THE **FINEST** RAW MATERIALS



POWDERS 3 TIMES SUPERIOR TO TRADITIONAL ONES

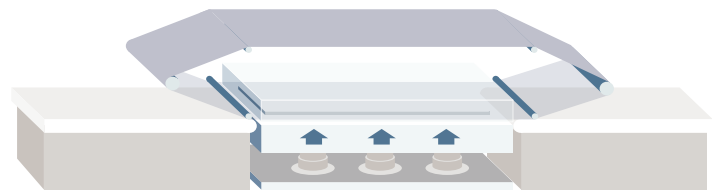
ONLY HIGH QUALITY BASE MATERIALS ARE USED, NO RECYCLED MATERIALS



HIGHEST STANDARDS IN **QUALITY AND PERFORMANCE**

2

**UNIQUE** PRESSING PROCESS DIRECTLY ON CONVEYOR BELT

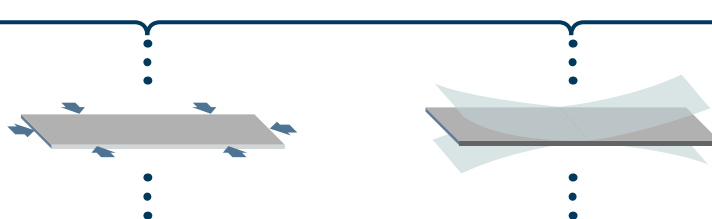


MATERIAL IS PRESSED FOR MORE THAN **1 MINUTE** ON THE STATIONARY SLAB

PRESSING FORCE UP TO **27.000 TON**

**EVEN PRESSURE** ON THE WHOLE SURFACE

**COMPLETE DEAERATION** VACUUM EFFECT



MORE **COMPACT** SLABS

MORE **ELASTIC** SLABS  
Minimum radius of curvature up to 5 metres

3

**EXCLUSIVE** SURFACE PROCESSING TECHNOLOGIES

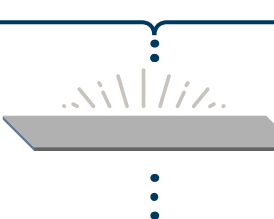


**HIGH DEFINITION** OF STRUCTURES

**GREAT DEPTH** OF THE GRAPHIC EFFECTS

**HIGH STANDARDS** IN COLOUR YIELD AND WHITENESS

**MAXIMUM SURFACE SHINE AND EASY TO CLEAN**

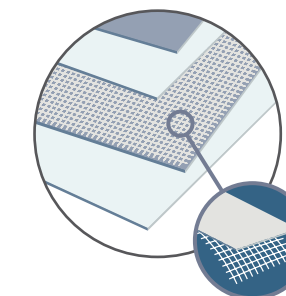
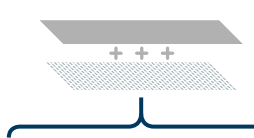


**EXCELLENT AESTHETIC YIELD** OF THE PRODUCTS

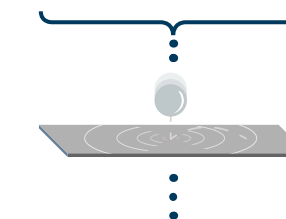
4

APPLICATION OF THE **FIBREGLASS MESH**

*Available on a wide selection of products*



**FIBREGLASS MESH** ON THE REAR OF THE SLAB



**EXTRAORDINARY ADDED RESISTANCE**

5

**ENVIRONMENTAL SUSTAINABILITY**



OUR PRODUCTION PROCESS REDUCES BY

**-65%** THE CONSUMPTION OF RAW MATERIALS

**-80%** THE CONSUMPTION OF WATER

**-30%** THE CONSUMPTION OF ENERGY

**-30%** CO<sub>2</sub> EMISSIONS IN THE ATMOSPHERE

**-66%** POLLUTION CAUSED BY TRANSPORT

*The data refers to a 3,5 mm thick product when compared to a 10 mm thick porcelain stoneware tile*

**Antibacterial PROTECT surfaces** guarantee a **continuous protection** that improves people's lifestyles and living conditions.

Another concrete example of the **Group's innovative ability is the development of PROTECT**. Since 2012, Panariagroup, thanks to the constant work of its Research Centre, has established technological and commercial leadership in the antibacterial products segment, developing a line of very high performance ceramic surfaces with Microban, a world leader in antibacterial technology applied to multiple sectors and products. Evidencing the growing demand for products with these technical specifications, in 2018 the Group sold 3,247,148 m<sup>2</sup> of PROTECT products worldwide.

The PROTECT antibacterial surfaces have been designed by Panariagroup with a real silver ion antibacterial shield incorporated in the ceramic product, which eliminates up to 99.9% of bacteria from the surface and guarantees continuous protection day and night.

Unlike other technologies, it is not an organic treatment applied to the finished product (such as waxes or resins): **PROTECT's antibacterial protection is permanently integrated into the products during the industrial firing process**. It cannot be removed by washing, it does not wear out and it actively protects the entire surface throughout the product's life cycle.

PROTECT is guaranteed by the partnership with Microban®, a world leader company in antibacterial technology that boasts partnerships with hundreds of brands and each new collection is tested to officially certify its antibacterial properties in recognized international laboratories.



Thanks to a constantly protected surface, high hygienic performance and resistance to wear and weather conditions, **PROTECT makes it possible to improve people's lifestyles and living conditions**.

The technology based on silver ions, which is permanently integrated in the tile at the time of firing, blocks the metabolism of bacteria, eliminating them and preventing their proliferation.

Consequently:

- **tiles are more hygienic and easier to clean:** the degree of product cleanliness can be visibly improved with antibacterial technology, which does not replace normal cleaning procedures, but facilitates and completes them, making them less expensive and achieving a better level of protection between one clean and the next.
- **the technology also eliminates what you cannot see:** thanks to antibacterial technology, growth of bacteria can be significantly limited on floors, walls, kitchen tops, etc.
- **less bacteria, less odours:** the presence of bacteria can cause unpleasant odours and reducing bacteria reduces these odours.

**With PROTECT Panariagroup confirms its role as a responsible company** since the use of this product brings the benefits of antibacterial technologies to various domestic and non-domestic environments, including, in particular, public places such as healthcare facilities,

restaurants, airports and schools, where preventing contamination is essential.


Being able to offer very high-quality antibacterial materials is **increasingly important when responding to ever more selective specifications and therefore receiving orders, as well as for meeting end consumers' growing demand for health-oriented products**.

In 2018, Panariagroup marked another important step in its technological evolution; in fact, **it achieved almost all the objectives planned for 2018**, such as, for example, the installation of new facilities at the Italian Business Unit, in particular a sorting line for the Toano plant and one for the Fiorano Modenese plant, and the installation of new facilities at the Portuguese Business Unit, such as the creation of a glazing line for large formats and the increase in production potential due to double loading at the Ilhavo plant, as well as a digital machine at the Aveiro plant.

A new production line was also installed at the Aveiro (Portugal) production unit featuring machinery and plants with high environmental performance, such as a system for recovering hot gases in the furnace burners, low-consumption burners, a drying room that recovers heat from the furnace and a packaging line.


# P R ( ) T E C T

The exclusive Panariagroup technology for antimicrobial floor and wall coverings with the highest performance. To live healthy, safe and secure.




**POWERFUL ACTION**

Eliminates microbes and prevents their reproduction




**CONTINUOUS PROTECTION**

Always active, 24 hours a day, with and without sunlight



**ETERNAL EFFECTIVENESS**

Thanks to the technology permanently integrated into the product



**GUARANTEED QUALITY**

by the partnership with **MICROBAN®**

# 4.4

## CUSTOMER SATISFACTION

Customer satisfaction goes hand in hand with our drive towards innovation and sustainability. The company's innovation is based on constant experimentation which, thanks to the development of cutting-edge production systems and technologies, allows Panariagroup to offer its customers a wide range of top-quality products that are positioned at the top of the market thanks to their **excellent technical performance and design**. The synergy between products, research and design results in a selection of products that can satisfy a wide range of project requirements, always with a focus on **sustainability and better aesthetic coordination with architecture and furnishings**.

**Panariagroup operates with very high quality standards, which are reflected in its outstanding supply standards:** complaints about sold products represent just 0.38% of total turnover (2017 figure). Additionally, the Group is committed to the management of an **attentive and scrupulous after-sales service**, which is constantly updated with increasingly advanced monitoring and response tools. In this regard, starting from the Italian Business Unit in the ceramic sector, the Group is developing the **VIS service**, an innovative Sales Force Automation system **that allows the sales force to**

**perform real-time monitoring of the quality of its product supplies** and to guarantee customers fast and complete responses in case of any problems. This is managed by advanced digital tools (a specific app for smartphones and tablets and a web system for managing data and processes). The aim is to bring this system into operation in the first half of 2019.

In addition, Panariagroup provides its commercial partners with in-depth technical expertise on the use and application of materials, through information tools (technical manuals), with thorough staff training and specific training sessions, both at the company's sites and in customers' premises: **in 2018, over 1,200 people visited the Fiorano Modenese laminated porcelain stoneware plant, while 1,275 attended in-depth technical sessions on ceramic slabs at the company headquarters and over 1,000 attended sessions off-site in Italy and abroad.**

One of Panariagroup's distinctive elements is its ability to face any commercial challenge not only with a wide range of Brands, to cover all market segments, but also with structures dedicated to serving specific channels or geographical areas in the most targeted and complete



Panariagroup operates with **very high quality standards**, which are reflected in its outstanding supply standards.

way. This enables Panariagroup to pursue one of its fundamental principles, namely **maximum attention to customer care**. We want to satisfy our customers with a solid and reliable organisation, as well as with flexibility and the ability to respond to any need.

Vertical organisations that aim to broadly cover markets and retail distribution are supported by horizontal structures specifically dedicated to certain geographical areas or to particularly strategic targets, such as large international projects, contracts and company buyers.




Panariagroup also offers the services of a **division (the Contract and Key Account Division) specialized in the relationship with particular customer segments** such as designers, professional offices, architects, etc., with a sales team and a design and service unit that can efficiently and specifically respond to all the needs of these specific targets on a global scale.



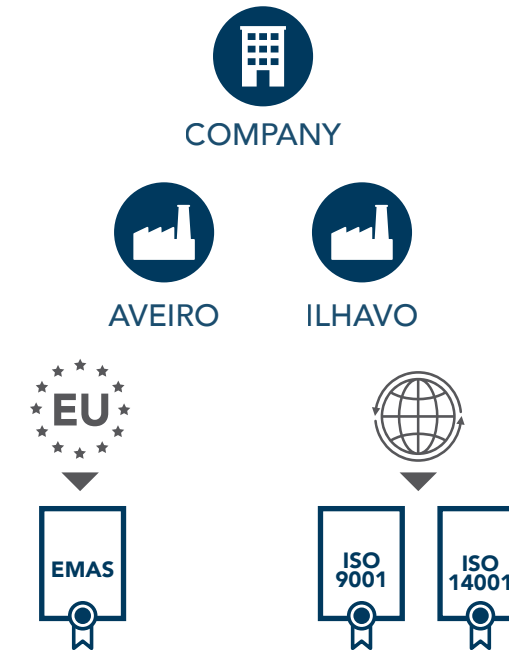
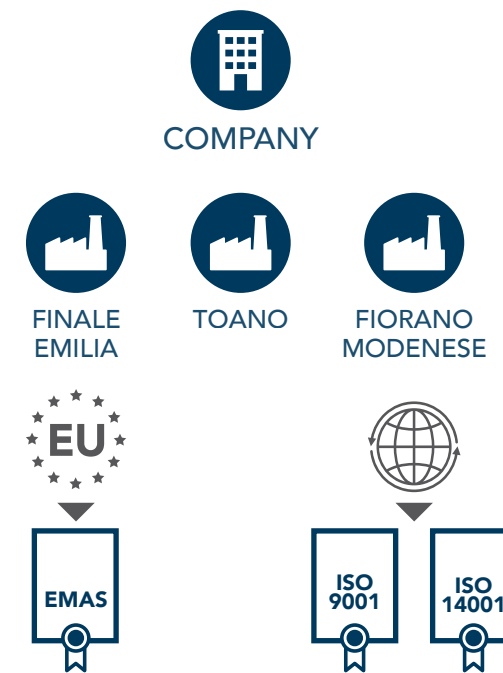
# 4.5

## SYSTEM CERTIFICATIONS

Panariagroup has adopted a **quality management system certified according to ISO 9001** which extends to all commercial divisions and services. This is further evidence of the Group's commitment towards ethical, environmental, safety and quality issues.

CERTIFICATION	DESCRIPTION	FIELD OF APPLICATION	PANARIAGROUP ITALIA	GRES PANARIA PORTUGAL
	In accordance to the ISO 9001 certification, every passage in the production process, from the arrival of the raw material to the packaging of the finished product, is verified by experienced personnel through accurate quality control. The quality of the Panariagroup production sites is audited yearly by an external agency through detailed visits.	WORLDWIDE	FINALE EMILIA TOANO FIORANO MODENESE	AVEIRO ILHAVO
	In accordance to the ISO 14001 certification, all the environmental aspects concerned in the production of our tiles are constantly monitored, guaranteeing the use of the best technologies on the market in order to reduce the environmental impact. The environmental system of the Panariagroup production sites is audited yearly by an external agency through detailed visits.	WORLDWIDE	FINALE EMILIA TOANO FIORANO MODENESE	AVEIRO ILHAVO
	The EU EMAS Eco-Management and Audit Scheme for organization requires the creation of a complete system of environmental management based on constant improvement. The system is based on the establishment of a rapport of cooperation and trust with employees, local authorities and the public. An Environmental Declaration is the final product of such process.	EU	FINALE EMILIA TOANO FIORANO MODENESE	AVEIRO ILHAVO

### PANARIAGROUP ITALIA



### GRES PANARIA PORTUGAL

# 4.6

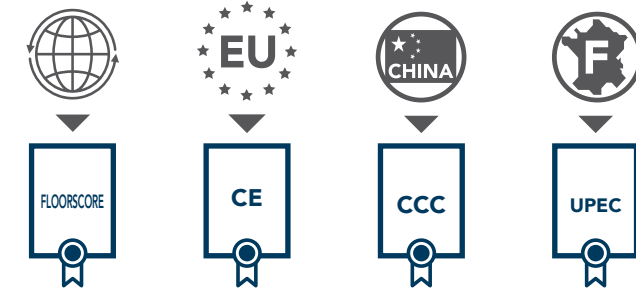
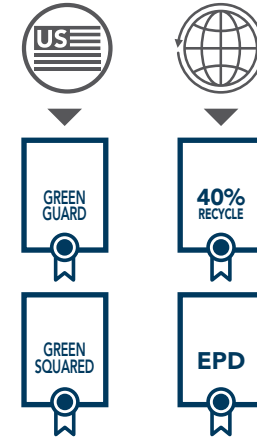
## PRODUCT CERTIFICATIONS

Below are the certifications obtained by Panariagroup for the products sold by the Group's companies operating in Italy, Portugal and the United States, reflecting the Group's **considerable attention and sensitivity towards ethical, environmental, safety and quality issues.**

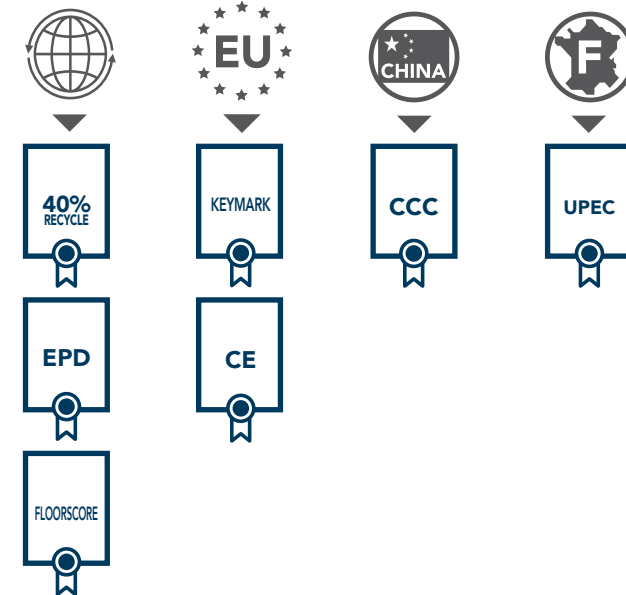
reflecting the Group's **considerable attention and sensitivity towards ethical, environmental, safety and quality issues.**

CERTIFICATION	DESCRIPTION	FIELD OF APPLICATION	ITALY	PORTUGAL	USA
	UPEC is a product certification issued by the French institution CSTB, verifying the technical suitability of the products related to their intended use.	FRANCE	●	●	
	The CE mark is a safety certification required by the European Union with the intention of safeguarding health and safety.	EU	●	●	
	The KEY-MARK and the Certiquality-UNI marks confirm that the certified products are compliant with the EU laws regarding ceramic tiles.	EU	●		
	Since August 2005, it is allowed to export in the People's Republic of China only ceramic tiles bearing the CCC marking, which Panariagroup obtained, on several products, since March 2006.	CHINA	●	●	
	FloorScore® is a system certifying the low VOC emissions of floorings and of the products used in their installation. It is one of the best known certifications to determine the quality of the air inside a building.	WORLDWIDE	●	●	
	The EPD declaration is a voluntary declaration that can be applied to all products. It is an important instrument to report on the environmental quality of a product.	WORLDWIDE	●		●
	Panariagroup achieved the prestigious Greenguard certification, confirming the compliance of building, furnishing and finishing materials to strict air quality standards as defined by GEI (Greenguard Environmental Institute). Such products undergo strict third-party testing to verify their impact on indoor air pollution.	US			●
	It is a TCNA initiative aimed to recognize and certify sustainable products according to the ANSI 138.1 law. Covered by this certification are the environmental characteristics of the product, its production chain, the extraction of raw materials, the management of end-of-life products and innovation.	US			●
	For most of its products, Panariagroup achieved a certification related to the contents of recycled material pre-consumer. This character of eco-sustainability contributes to the achievement of credits required by several national building standards.	WORLDWIDE	●		●

### PANARIAGROUP USA



### PANARIAGROUP ITALIA



### GRES PANARIA PORTUGAL

# Focus on

## THE EPD DECLARATION.

### AN ADDITIONAL TOOL FOR MEETING THE CHALLENGES AND OPPORTUNITIES OF SUSTAINABILITY

Panariagroup has reached the major milestone of the EDP for production processes at its 3 Italian plants – Fiorano Modenese, Finale Emilia, Toano –, confirming its vocation for environmental sustainability, one of the Group's distinctive characteristics.

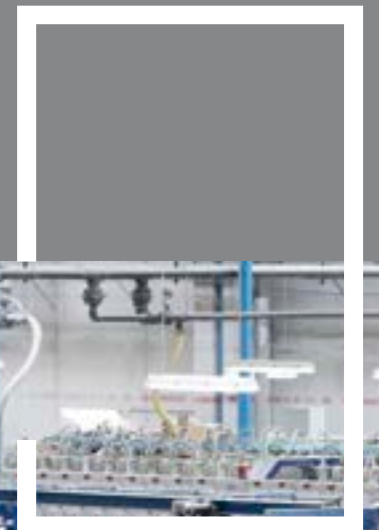
The EPD is an independently certified and verified document that **transparently and objectively communicates information about the life-cycle environmental impact of products**, in accordance with the ISO 14025 international standard.

This is an important milestone for the Group, which

allows it to further enlarge its abundant portfolio of **certifications in order to make its Brands increasingly competitive** in the global market and to attest to the excellence of its products and services.

The EPD is the latest step in a long journey that over time has seen the Group's investments grow in order to increasingly strengthen its products' market position.

Thanks to the expertise of the internal research team and to the Group's total control of product processing and the production process, **Panariagroup can further raise the profile of its surfaces, particularly**



the Green surface, among architects and designers looking for the best solutions that meet the most rigorous environmental standards for obtaining credits for international rating systems.

The EPD is an important part of the clear path towards sustainability undertaken by Panariagroup,

the only company in the ceramic sector to draw up the Sustainability Report according to the most up-to-date international standards (GRI) and to submit it for certification by a specialized auditing firm.





ES

**ENVIRONMENTAL**  
RESPONSIBILITY





We aim to live in harmony  
with the environment.  
The material and energy  
that we require return to  
the environment in the  
form of respect.

In Italy, the Group reuses

**100%**  
of process water.



# 5.1

## THE GROUP'S ENVIRONMENTAL RESPONSIBILITY

Always at the vanguard in skilfully combining beauty, quality and sustainability, Panariagroup works every day to reduce the environmental impact of its plants to a minimum, demonstrating its commitment to ecosystem conservation and to researching the best housing comforts. This is a vital, essential commitment, especially for those who **create products that millions of people all around the world encounter in their daily life, at home or in public places.** The Group considers the aspects related to environmental impact and to safety and hygiene at the workplace to be of fundamental importance. Consequently, the policy adopted to manage the Group's activities is based on strong and precise principles:

- safeguarding the integrity of the environment that surrounds the manufacturing facilities as well as the environment within, thus protecting the environment as a whole;
- ensuring constant respect of the existing legal regulations regarding Safety and the Environment through ongoing and rigorous inspections;
- managing, preserving and, where possible, reducing the use of natural resources, through research and development activities focused on the use of recycled

material and on energy efficiency policies;

- constantly improving its environmental approach to keep the production of pollutants and the consumption of resources to a minimum;
- providing constant information and maintaining an ongoing collaboration with the population and with public organizations regarding the environmental Policies adopted, including the release of the EMAS Environmental Statement and the 2016 Sustainability Report.

Such principles are of paramount importance because they drive Panariagroup both at a management and strategic level and in terms of operational management of individual plants, with the ultimate aim of **constant improvement of environmental performance at all management levels.**

Conscious that in the ceramic tiles for floor and wall coverings production sector, environmental awareness is increasingly a critical factor for success, **the Group has demonstrated, year after year, a true green philosophy that manifests itself at every level.** Everything is designed and created with the highest respect for the environment, from the architectural design of the production plants, which are in perfect harmony with

Panariagroup works every day to **reduce the environmental impact of its plants** to a minimum, demonstrating its commitment to ecosystem conservation and to researching the best housing comforts.



the local area, to the careful control procedures at every stage of product processing.

As a testament to the central role that environmental sustainability plays for the Group, all the production plants in Europe, all highly automated and integrated, achieved the ISO 9001, ISO 14001 and EMAS environmental management certifications. In 2018, Panariagroup concluded the process of adapting the quality and environmental management systems to the respective new ISO 9001:2015 and ISO 14001:2015 standards.

The EMAS declaration reports on environmental performance and the pre-established improvement objectives. It is published annually on the company websites for the Italian production plants.

Additionally, Panariagroup compiles the annual AIA report, as required by the Integrated Environmental Authorisation, for the Italian production sites, containing environmental performance data and specific performance indicators.

The raw materials used in the production processes in Panariagroup plants are constantly monitored, **in full respect of the environmental standards set by the law.**

**Likewise, production waste is reused to a large extent, with a significant reduction in the use of new natural raw materials.**

**Every product then undergoes strict and accurate quality control** and every collection is classified according to specific characteristics established by the law relating to ceramic tiles. Most of the collections have the requirements for obtaining credits from the main building certification systems, such as LEED. The Group is in fact very attentive to regulatory changes regarding ceramic tiles and its technicians monitor regulatory updates by participating in technical committees in associations or internationally through participation in ISO committees.



# Focus on

## THE MOST SIGNIFICANT INITIATIVES OF 2018



Panariagroup's commitment to protection of the environment and to conservation of natural resources is particularly demonstrated by its management of production systems, which aims to prevent and minimise environmental impact.

In order to improve its environmental performance, Panariagroup has implemented several initiatives and projects that have achieved significant results. The following are some of the main activities carried out in the Group's plants relating to the packaging process for the Italian Business Unit and to production and energy efficiency for the Portuguese Business Unit.

### PACKAGING

ITALY BU

In 2017, a strong focus was placed on reducing the environmental impact in the packaging system through a careful approach to purchasing recycled material and efficient use of resources in the packag-

ing process, thanks to the introduction of automatic boxing machines in the sorting lines within the production process. In particular, this year the following was purchased:

- **72% of recycled plastic for industrial use**, compared to 57% in 2017 and 40% in 2016;
- **70% of recycled paper and cardboard** used for product packaging;
- **100% renewable wood** for the storage and handling of materials.

Panariagroup is committed to the recovery of waste materials which are recycled and reused. Moreover, in recent years the company has acquired new automatic boxing machines which enable optimisation of the use of cardboard during the packaging process, thanks to the use of thinner paper and cardboard and to the reduction of waste, since the machine creates the shape of the packaging by wrapping the product, adjusting the size of the packaging accordingly. **This technology allows a reduction of up to 50% of used cardboard compared to the traditional systems used previously.**

### PRODUCTION AND ENVIRONMENTAL EFFICIENCY

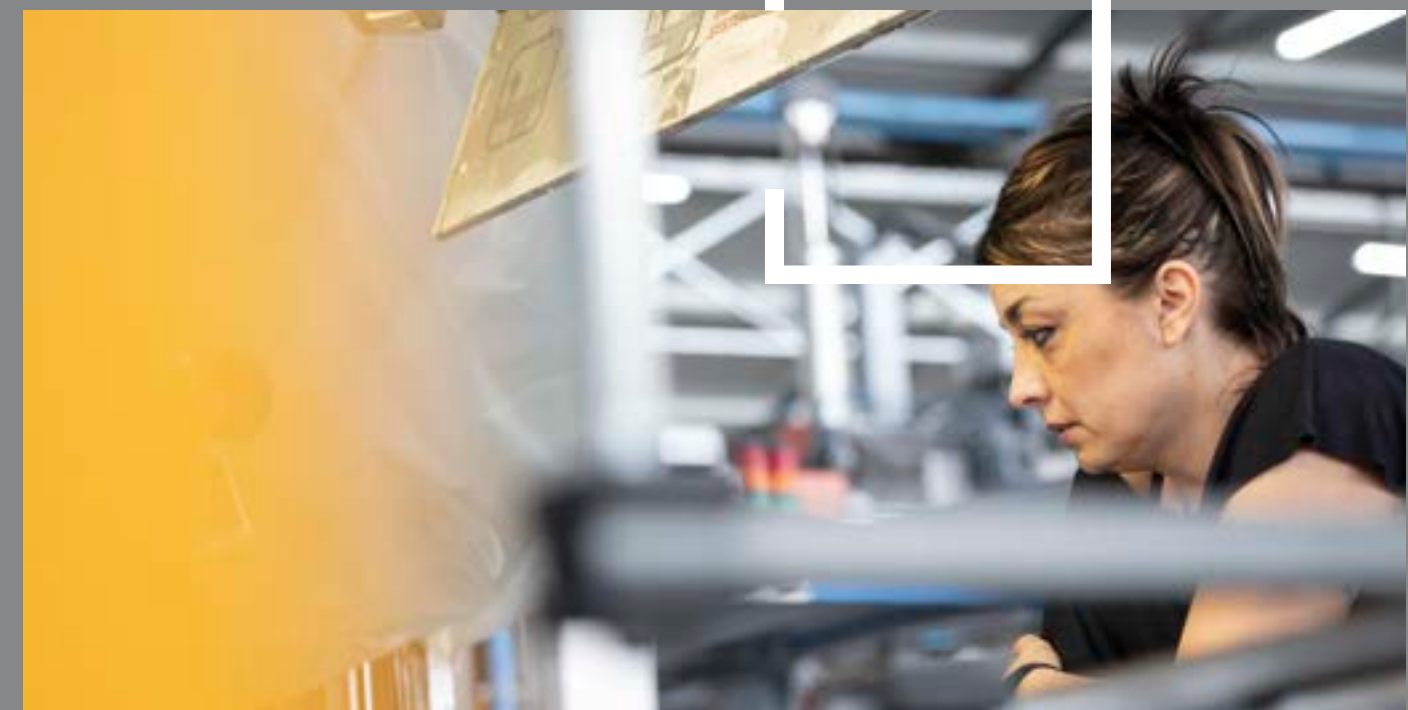
PORTUGAL BU

The new furnace installed at the Aveiro plant in Portugal has made it possible to achieve **significant improvements in terms of production and environmental efficiency, as well as product innovation**, especially with regard to large formats. In fact, it was possible to create the ideal conditions for the production of the 80x80 cm format and to satisfy customer orders relating to other large formats.

The production capacity of this new furnace can exceed 70% of the production capacity of a convention-

al furnace for formats such as 35x100 cm. In energy terms, **efficiency gains** in terms of consumption of electricity and methane gas in the new furnace **are around 35%** compared to a traditional furnace with the same production volumes.

As with previous furnaces in the plant, also the heat released by the new furnace is recovered to feed other production plants, helping to increase the site's energy efficiency levels.



# 5.2

## MANAGEMENT OF NATURAL RESOURCES

**Panariagroup has chosen to take a stand in defence of the planet.** It has done so and continues to do so every day with concrete actions, investing in the most advanced technologies and production choices focused on eco-sustainability. Because after all, despite being the result of a complex and advanced industrial process, **ceramic is a natural product.**

The simple recipe of earth, fire and water produces a tough, versatile, practical and hygienic product with a high value in terms of beauty and design. **It is even more natural when the production chain has a responsible dialogue with the environment** by

reducing the need for raw materials, recycling water and processing waste and using high-efficiency plants. This reduces the ecological footprint that industrial production leaves on the planet.

According to Panariagroup, **a sustainable management is expressed at its highest level in every production cycle**, starting from a concept of quality that considers constant research and respect for the environment to be among its distinctive features. Compliant for years with environmental protection and eco-sustainable development regulations, **the Group has always believed in the possibility of combining**



**improvement of the production process with ever-increasing product quality** and a focus on improving quality of life and environmental impact.

Applying its environmental policies, the Group regularly sets a series of objectives to achieve in order to improve its environmental performance even further and to promote topics related to workplace safety and hygiene.

For the Italian and Portuguese plants, the specific details of these objectives are set out in the EMAS Environmental Statement.

The Group's performance and objectives are set out annually in the Sustainability Report.

**The production chain has a responsible dialogue with the environment** by reducing the ecological footprint that industrial production leaves on the planet.



# 5.3

## RAW MATERIALS

### GLAZE

Glazes are composed by the following materials:



- Clay dust
- Alumina
- Natural Pigments
- Frit
- Quartz

### RAW MATERIALS

The main raw materials used in the production of ceramic tiles are:



- Colored pigments
- Clay
- Feldspar
- Sand

### AUXILIARY ADDITIVES

The main auxiliary additives are:



- Fluidising agents
- Binding agents

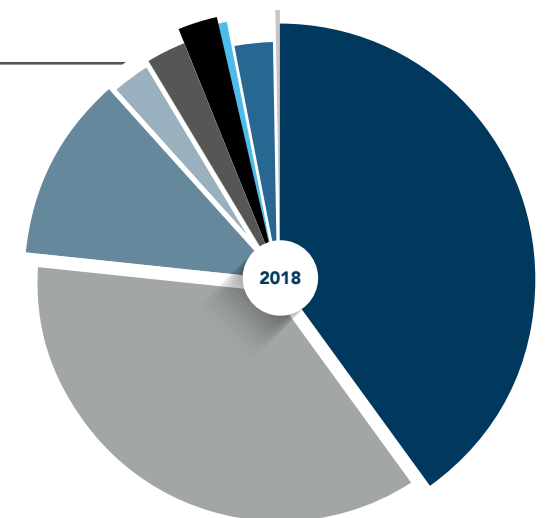


The chart below shows the **main raw materials used by the Group in 2018**. The chart reveals that most pur-

chases are of clays and feldspars. In 2018, the Group reduced the purchase of spray-dried powders to zero.

### RAW MATERIALS USED

- **40.0%** Clays
- **36.8%** Feldspars
- **11.8%** Sand
- **2.9%** Ground fired material
- **2.6%** Glazes and colouring agents
- **2.6%** Packaging
- **2.5%** Other
- **0.6%** Additives
- **0.2%** Zirconium/Whitening agents



Panariagroup has always shown great respect for the environment, purchasing, where possible and in line with the preliminary material for its business, renewable raw materials.

to raw materials for the mixture – which nonetheless contain natural materials such as clays, feldspars and sands – were considered as non-renewable materials.

In the Italian Business Unit, with regard to **ceramic packaging, 100% of the wood used and about 900 tons of paper come from renewable sources, while the purchased plastic contains 35% of recycled material**. Both the glaze class and the class relating

to raw materials for the mixture – which nonetheless contain natural materials such as clays, feldspars and sands – were considered as non-renewable materials. With regard to the foreign sites, the American Business Unit uses approximately 3,400 tons of packaging from renewable sources, a quantity that represents 96% of total packaging. Finally, it should be noted that Gres Panaria Portugal does not currently use materials from a renewable source.



# 5.4

## THE PRODUCTION PROCESS

The first phase of the production process is the delivery and the storage of raw materials, such as clays and feldspars mixed with sands, kaolins and silicates. These raw materials are extracted from quarries, through a process that generally takes place outside. The production of tiles begins, therefore, from grinding of the raw materials that are delivered to the plant and stored in separate and easily identifiable boxes located in covered areas.

The mixture at the basis of the production of stoneware is obtained by mixing these raw materials, and mostly contains a clay part, which has a plasticising role, an inert part (sand) with a structural and thinning role to limit shrinking and expansion during the firing phase and a feldspar part with a melting role, allowing, during the firing stage, the creation of a vitreous phase, thus helping to make it more compact (vitrification).

**Before they are stocked, all raw materials undergo a series of checks** in order to verify the compliance of the analysed features with the specifications agreed with suppliers.

An interesting aspect from an environmental perspective is the recycling of raw and fired waste during production. Raw waste may come from the spray-drying, pressing or glazing stages, while fired waste may come from the selection and rectifying/lapping phases. **In all of the Group's plants, 100% of raw waste is recovered in the production process.** In the plants located in Italy and the USA, 100% of fired waste is reintroduced into the ceramic mix. The factories located in Portugal are working to achieve the same goal.

Finally, in terms of circular economy, **at the end of their life cycle ceramic tiles can be fully recycled as a foundation for buildings or roads, or easily disposed of like any other inert material.** However, it should be noted that Panariagroup products are characterised by their durability, so they may last as long as the building in which they are installed and for much longer periods than any other coverings.

In all of the Group's plants, **100% of raw waste is recovered in the production process.**



# 5.5

## ENERGY AND EMISSIONS

Panariagroup plants mainly use electricity, natural gas and diesel fuel. In 2018, the Group consumed a total of 3,132,254 GJ of energy, an increase on the previous year, of which 1,921 GJ was from renewable sources and 3,130,333 GJ from non-renewable sources. In general, there was an increase in the use of electricity and automotive fuel. By contrast, the Group has slightly reduced its consumption of natural gas and LPG.

The Group's environmental performance remained the same as in the previous year, with slight decreases in the consumption of natural gas and LPG, highlighting **the Group's strong focus on monitoring and minimising environmental impact, particularly in relation to energy consumption and emissions.**

YEAR	ENERGY INTENSITY <sup>4</sup> (GJ/m <sup>2</sup> )
2017 <sup>8</sup>	0.142
2018	0.139

YEAR	EMISSIONS INTENSITY <sup>4</sup> (tCO <sub>2</sub> eq/m <sup>2</sup> )	
	LOCATION BASED	MARKET BASED
2017 <sup>8</sup>	0.010	0.010
2018	0.009	0.010



4. See page 12.  
8. The figure for 2017 has been restated. For details, see the "Appendix" section.

# 192 tCO<sub>2</sub>eq

Emissions avoided in 2018 thanks to the photovoltaic installations at Fiorano Modenese, Finale Emilia and Sassuolo

# 3,132,254 GJ

Total energy used by the Group in 2018

Panariagroup constantly **invests in improving energy efficiency in its plants.** Every year, energy saving projects carried out by companies which, like Panariagroup, have decided to significantly reduce the environmental impact of their activities, allow GSE (Energy Service Management) to award TEE (Titles of Energy Efficiency, also called White Certificates) in accordance with Legislative Decree of 20 July 2004, based on energy consumption compared to the sector benchmarks.

Furthermore, in 2013, Panariagroup's plants in Italy and Portugal joined the **"Emission Trading" system, regulating the exchange of quotas of CO<sub>2</sub> emitted during production,** as per Directive 2009/29/EC. Thanks to the plant design and installation choices

made by Panariagroup in recent years, which have enabled us to achieve important results in terms of energy performance and therefore savings in methane gas consumption, all the company's production sites have been able to comply every year with ETS requirements, returning the CO<sub>2</sub> quotas to the control authorities without ever having to purchase quantities in excess of the quotas provided free of charge by the European Community. This important result has been achieved thanks to constant research, which has always been undertaken by Panariagroup at all its production sites, for innovative solutions to increase energy efficiency.

Three photovoltaic systems were installed at the Italian plants of Finale Emilia, Fiorano Modenese and



150,484 tCO<sub>2</sub>eq<sup>10</sup>

● Direct emissions (155,450 tCO<sub>2</sub>eq in 2017)

55,596 tCO<sub>2</sub>eq<sup>10</sup>

● Location-based indirect emissions (60,366 tCO<sub>2</sub>eq in 2017)

68,311 tCO<sub>2</sub>eq<sup>10</sup>

● Market-based indirect emissions (62,673 tCO<sub>2</sub>eq in 2017)

Sassuolo, respectively 450 kWp with a surface of 4,200 m<sup>2</sup>, 85 kWp with a surface of 1,000 m<sup>2</sup> and 19.5 kWp with a surface of 220 m<sup>2</sup>, enabling them to produce electricity for internal consumption and to reduce CO<sub>2</sub> emissions. Thanks to these systems, **the Group avoided emissions of 192 tons of CO<sub>2</sub>eq<sup>9</sup> in 2018.**

Finally, one of the outstanding elements in the production plants located in Italy (in Toano and Finale Emilia) is the system for recovering smoke from the furnaces inside the spray-drying facilities, leading to a reduction in the use of thermal energy.

With regard to energy consumption, it is important to note that in relation to most other covering materials (parquet, natural stone and cork), it takes less energy

to produce porcelain stoneware, partly thanks to modern systems and to its very high durability.

Atmospheric emissions are a significant environmental aspect for Panariagroup's business. In fact, the production process and related activities result in the emission of substances into the atmosphere that require purification treatment, in particular during the tile firing phase.

With regard to greenhouse gas emissions, the slight decrease in the consumption of natural gas and LPG led to a reduction in direct greenhouse gas emissions in 2018, compared to 2017. However, indirect greenhouse gas emissions, associated with the purchase of electricity, saw an increase due to the decreased

consumption of electricity produced from renewable sources. Scope 2 emissions were calculated using two different approaches: "Location-based" and "Market-based".

The "Location-based" approach involves the use of average emission factors relating to specific national energy production mixes of electricity (for the emission coefficients used, see the relevant tables in the "Appendix" section). The "Market-based" approach involves the use of emission factors defined on a contractual basis with the electricity supplier. In the absence of specific contractual agreements between the Group's Companies and the electricity supplier (e.g. purchase of Guarantees of Origin), the emission factor relating to the national "residual mix" is used for this

approach (for the emission coefficients used, see the relevant tables in the "Appendix" section).

With regard to emissions, it should be noted that **the production of laminated porcelain stoneware, one of the products on which the Group has strongly focused in recent years, requires reduced use of energy** and has a lower environmental impact.

In fact, comparing the emissions impact of laminated porcelain stoneware and porcelain stoneware, a significant reduction in the CO<sub>2</sub> emitted into the atmosphere can be observed<sup>11</sup>.

9. The avoided CO<sub>2</sub>eq emissions were calculated with the Location-based method (Source: Terna 2016, relating to Italy).

10. The figures for 2017 have been restated. For details, see the "Appendix" section.

11. Values obtained from the elaboration of Panariagroup's EMAS data and the ICE and ECO-BAU database for porcelain stoneware, which include the energy consumption values for the extraction of raw materials (source: EPDs of products of the same thickness).



# 5.6

## WATER

In Panariagroup's plants, use of water during the production cycle is mostly concentrated in the phases of grinding of raw materials, preparation of the semi-finished products for glazing, washing of machinery – in particular of mills and glazing lines – and finally during the operations of lapping, cutting and rectifying the fired tiles. In 2018, the total water consumption of the production sites was 394,630 m<sup>3</sup>, an increase of 1.8% compared to

2017, as highlighted in the data published in the appendix.

**The Group, which is always attentive to minimizing environmental impact deriving from production activities, has maintained stable water consumption compared to 2017, as shown in the index below.**

YEAR	WATER CONSUMPTION INDEX <sup>4</sup> (m <sup>3</sup> /m <sup>2</sup> )
2017	0.0171
2018	0.0175



However, it is important to highlight how the Panariagroup **production plants in Italy reuse 100% of the water in the process. This allows us to reduce the consumption of natural water resources by up to 80%.** The Group's water consumption is generally much lower than the volume of total water required in the production processes. Most of the water is reused during processes, thanks to specific technologies.

Specifically, the company uses purification plants to subject wastewater to a chemical-physical purification treatment. Once the purification cycle is completed, part of the water is normally reused in the process of grinding the mixtures and glazes used in the production cycle, while the remaining part is used as washing water for glazing lines or mills in the glaze grinding department.

**The water recovered this way creates a sort of "closed cycle"** since it is reused in the same production processes. The only water drained outside the production site is water from the toilet facilities (in very low quantities), which is considered as industrial waste comparable to civil waste and is therefore discharged into public sewers.

**It is important to note that the laminated porcelain stoneware tiles produced by the Group – the result of the Group's commitment to research and innovation – require approximately 80% less water than porcelain stoneware tiles.**

The Panariagroup production plants in Italy **reuse 100% of the water in the process,** thus reducing the consumption of natural water resources by up to 80%.

# 5.7

## WASTE MANAGEMENT

The waste produced in Panariagroup's plants is assigned, for recovery or – in a minimal percentage – for landfill disposal, to external agencies authorised according to the current laws.

Management of the waste, during its temporary storage inside the plants, takes place in special storage

areas in compliance with internal procedures and current regulations.

In 2018, the Panariagroup Group recorded 69,031 tons of waste produced, of which 192 tons were hazardous waste (0.28% of the total).

WASTE	ITALIY	PORTUGAL	US	TOTAL
RECOVERED/RECYCLED (t)	49,446	15,471	287	65,204
OF WHICH HAZARDOUS (t)	42	19	-	61
DISPOSAL (t)	798	6	3,023	3,827
OF WHICH HAZARDOUS (t)	125	6	-	131
PERCENTAGE OF HAZARDOUS WASTE	0.33%	0.16%	0.00%	0.28%

Most of the waste produced, about 65,204 tons including 61 tons of hazardous waste, was destined for recovery. In fact, **94.5% of waste produced was recovered**, a very high percentage. By contrast, only a small part was destined for disposal. All data on waste management is shown in the Appendix. Compared to the data reported in 2017, the Portuguese Business

Unit recorded a sharp decrease in waste destined for disposal, since, in 2018, new legal documents that no longer consider broken pieces as residues. Panariagroup, in general, recorded a significant decrease in the production of waste, thanks to the high rate of recovered products and the efficient use of raw materials throughout all the production processes.



# 0.28%

Percentage of hazardous waste compared to the total waste produced by the Group in 2018, down compared to 2017 (0.31%)

# 69,031 t

Waste produced by the Group in 2018

# 94.5%

Percentage of waste sent for recovery compared to the total waste produced by the Group in 2018, up compared to 2017 (93.2%)

**With regard to the production of sewage sludge**, one of the main items on the list of waste produced by the production plants, **a plant intervention of major significance from an environmental perspective was completed at the Finale Emilia site in 2018**. Wastewater from departments for the preparation of pastes, grinding and glazing were previously sent to a physical-chemical purifier that produced purified water, subsequently used in production, and ceramic sludge which, once filter-pressed, was sent away for recovery.

Following modification of the plant, the wastewater is now collected in a tank positioned in the paste preparation department and is used as it is in wet milling inside the continuous drum mills, bypassing the purification stage. This modification led to a **significant decrease in the production of waste** (filter-pressed sludge) sent to external companies authorized for material recovery.

Panariagroup is evaluating the possible extension of this modification to other Group's production sites.





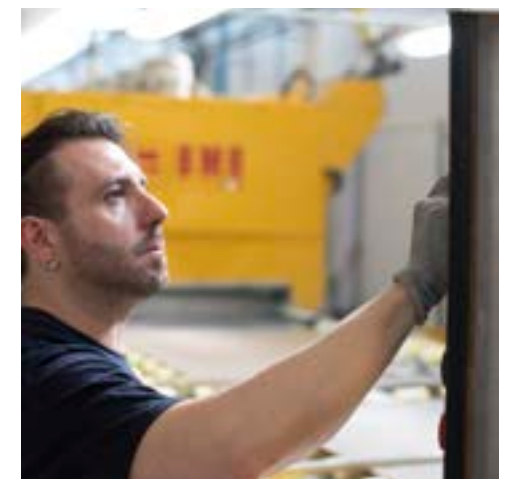
**SOCIAL**  
RESPONSIBILITY



No technology would  
make sense without people.  
We owe everything to them  
and we continue to watch  
over them.

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**95%**  
of the Group's contracts  
are permanent.



# 6.1

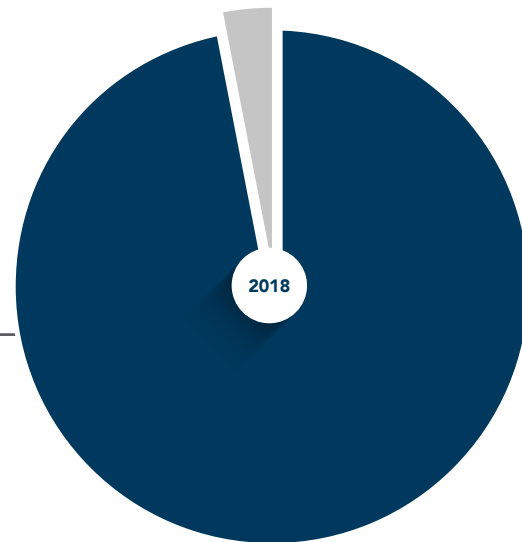
## OUR EMPLOYEES

One of Panariagroup's core values is to always attach **central importance to people and quality of life**, operating with the utmost respect for those who work with the Group. Its staff, their well-being, their growth and their professional development are key to Panariagroup's success. In managing its employees, **Panariagroup endorses a corporate culture that attracts the best talents**, improves employees' skills and their ability to work in groups, and recognises and rewards their performance, with the ultimate goal of contributing to

their professional and personal satisfaction. In order to guarantee the application of these principles, **the Group almost exclusively employs permanent staff. This type of contract guarantees employees more stability and greater opportunities for professional growth.** At the same time, the Group takes into consideration requests from employees for part-time work, where possible offering job opportunities that fit their personal and professional needs.

### STAFF BY TYPE OF CONTRACT AS OF 31 DECEMBER

- **95%** Permanent contracts
- **5%** Fixed-term contracts



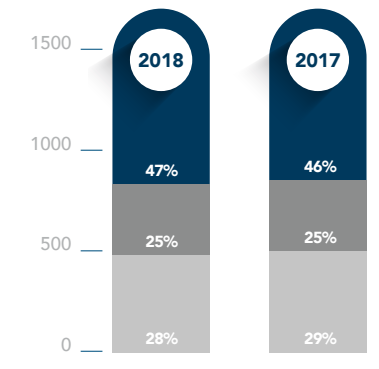
Permanent contracts guarantee employees **more stability and greater opportunities for professional growth.**

Operating in a complex economic environment, up to this point Panariagroup has decided to maintain stable employment levels and solid relations with the local communities in which it operates, **avoiding outsourcing of production processes.** Indeed, stability in relations with employees is a fundamental element in responsibly maintaining the Group's economic growth.

As of 31 December 2018, the Group employed 1,741 employees, with a net gain of 12 new hires compared to the previous year.

### GROUP'S EMPLOYEES AS OF 31 DECEMBER

- Italy
- Portugal
- USA



In light of a slightly growing workforce, the Group's turnover between 2017 and 2018 remained almost stable, while the number of **new hires increased, particularly in Italy.**

Inclusion and non-discrimination are two values that are considered fundamental to the Group's staff management. These are at the base of various tools used to develop each individual's talent, to facilitate a work-life

balance and to safeguard diversity of culture, ethnicity, age, gender and skills.

**The Panariagroup Group is committed to ensuring equal opportunities for employees and for those applying to become part of the organization.** At all of the Group's sites, respect for individuals and their religious, political and sexual orientation is encouraged and every kind of discrimination is prevented by promoting diversity, tolerance and acceptance.



Panariagroup has a **work-life balance policy and offers access to flexible working systems** in the event of maternity or paternity.

In particular, in the USA the “non-discrimination policy” and the “anti-harassment policy” have been adopted. In addition to the implementation of a reporting channel for any cases or issues concerning human resources or management, there are disciplinary measures for employees who violate internal policies and regulations.

In this regard, it should be noted that in 2018 the Group did not detect any incidents of discrimination. Panariagroup has a work-life balance policy and offers access to flexible working systems in the event of maternity

or paternity. In addition, the **Group strongly supports its employees, especially at key moments in their lives, such as the birth of a child.** In 2018, 16 employees took parental leave, of which 5 were men and 11 were women. The rate of return from leave for 2018 was 100%, while the Group’s retention rate, calculated as the number of employees who took leave and are still company employees 12 months on, is 88% for men, 100% for women and 95% overall for the entire Group.

In Italy, **Panariagroup paid particular attention to the**



**requests for part-time work, which were mainly for family obligations.** As of 31/12/2018, 50 people in Italy were working on part-time contracts.

With regard to remuneration, **the Group strongly endorses fair salaries for its employees,** in line with local legislation. Furthermore, in 2018, for the Italian Business Unit, a reward system was introduced for sales staff to incentivise the achievement of specific results and economic targets.

It is important to note that the Group respects employees’ rights to collective bargaining, in compliance with the International Labour Organization Conventions and

always in compliance with local legislation. In 2018, 72% of the Group’s employees were covered by collective bargaining agreements. In particular, in Italy, over the years, supplementary company-level agreements have been developed that stipulate better employment terms than those guaranteed by national agreements.

Finally, it should be noted that in the event of any major organizational changes, the Group will comply with the provisions of collective agreements regarding proper notice.



# Focus on

## SUSTAINABILITY IN THE **INTERNAL COMMUNICATION PROJECT** FOR THE ITALIAN BUSINESS UNIT



Panariagroup's commitment to a responsible and sustainable approach to work is a subject of great importance for the company.

**The Group has therefore decided to launch an important communication program for employees in relation to its sustainability initiatives.**

An internal communication plan dedicated to sustainability has been launched in the Italian Business Unit, including a newsletter cycle: updates and information with the aim of keeping a channel always open and full of news.

It will be disseminated both online (via e-mail) and in

paper form to ensure widespread coverage of all potential users.

Signage stands have also been created, located in all Italian offices and plants, to communicate the fundamental principles of the company's commitment to sustainability issues.

Dedicated communication campaigns have also been launched for certain specific initiatives. For example, the flu vaccination campaign was promoted, as well as **the Green Office project, designed to raise awareness about behaviour with a lower environmental impact.** A list of several suggestions was drawn up,

which was then communicated through everyday materials (flyers, notebooks and desk calendars).

Finally, during the Christmas festivities, all employees were given a personalised glass bottle **to encourage consumption of water from the dispensers or taps, avoiding waste resulting from the use of plastic bottles or cups.**

All the communications have also been made available to employees on <http://hr.panariagroup.it/HRPOTAL>, where everyone can access their personal profile.

Finally, a series of meetings was organized with workers' associations to illustrate the company's strategies and activities in the field of sustainability, ensuring a more direct and in-depth discussion of these issues.



# 6.1.1

## TRAINING AND DEVELOPMENT

Employee training has emerged as a particularly important issue for both employees and the Group. Education and professional development are fundamental aspects for the Group, with the aim of developing the skills and increasing the knowledge of its staff, as well as of ensuring compliance with national legislation and safety in the workplace.

Training activities are not perceived by the Group as a mere legal obligation, but as something beneficial to the company. For this reason, **the Group companies analyse workers' specific needs on an annual basis in order to guarantee the provision of training activities that are best suited to them and to operational requirements.**

Training activities on health and safety issues are provided throughout the Group, as required by local legislation. In addition, the Group has also offered its employees a wide range of training activities identified by the managers in the different areas of operations, who are the most knowledgeable about the specific needs of both the employees themselves and of the skills required in their jobs.

**In consideration of the concrete needs of employees with environmental responsibilities, training and training events are planned and implemented in or-**

**der to improve management skills.**

Specifically, training courses on health and safety issues were carried out in the US facilities with the aim of limiting accidents, "ergonomic training" in the facilities to reduce the injury rate and lost day rate, specific training for the use of processing machinery with the objective of reducing accidents and possible damage caused by incorrect use and environmental training courses at the plant aimed at raising awareness among employees about the reduction of environmental impact.

Gres Panaria Portugal has always viewed employee qualification as an important strategic asset. Based on a careful analysis of the training needs of its staff, every year a training plan is drawn up and approved by the company management.

In Portugal, in fact, the population continues to have a significant deficit in qualifications, which affects the country's development. According to Eurostat data (2016), over half of the population, aged 25-64, has a qualification level equal to or lower than basic education (9th year of schooling). In 2018, Gres Panaria Portugal, in collaboration with AIDA<sup>12</sup>, joined the Qualification Program, which aims to bring Portugal closer to the goals of convergence in lifelong learning with the EU average, contributing to the improvement of the pop-

Education and professional development are fundamental aspects for the Group, **with the aim of developing the skills and increasing the knowledge of its staff.**



ulation's qualification levels and to the improvement of individuals' employment status.

**Panariagroup is also active in directly involving employees and local communities in social and environmental initiatives.**

In this regard, programs were launched in Portugal in 2018 with the objective of qualifying the population, aimed at improving their education and training, contributing to the improvement of their qualification levels and employment status. Grès Panaria Portugal wants to offer the opportunity to increase and develop skills, through qualified training.

In this sense, in collaboration with AIDA, the Portugal Business Unit is developing initiatives to strengthen competitiveness and to establish collaborations with international and national counterparts on issues of common interest, to promote the internationalisation of companies in the Aveiro Region, to encourage entrepreneurship and to promote vocational training, contributing to increasing employment and social inclusion. The Portuguese Business Unit also encouraged employees to participate in certain national and international days focused on raising awareness on issues of common interest, such as proper disposal of used

batteries, sensible water consumption and the environment in general, responsible food chain management, workplace safety, etc.

In addition, starting in 2018, information initiatives for employees relating to the issue of Sustainability were launched, through dedicated meetings and through a periodic newsletter sent by e-mail.

**The total hours of training provided by the Group in 2018 amounted to 9,735, of which 5,414 were provided to men and 4,321 to women.**

With regard to incentives, the supplementary company agreements applied to the commercial area in Italy (which are already operational) provide for the payment of a variable bonus to employees linked to the Group's financial performance. This system was also renewed for 2019 with the introduction of bonuses linked to aspects not strictly related to turnover. This system has already been widely established in the USA.

12. Associação Industrial do Distrito de Aveiro.



# Focus on

## FLORIDA TILE'S CHARITY ACTIVITIES

Over the years, Florida Tile has developed a great sensitivity to charity and community support activities.

Employees can periodically participate in various initiatives by putting their efforts towards various causes. In this regard, projects have been developed to assist animals, military veterans, children, the sick and others.

Every quarter a project is selected and proposed to the employees.

One example was Paws 4 the Cause, an association dedicated to helping and assisting animals in distress and potentially finding them a new home. Employees were able to donate to this cause and specifically to help and support the association by providing food, cleaning accessories and more.

Paws 4 the Cause organized a special moment at the Florida Tile headquarters, bringing some of the dogs looking for adoption to meet employees during breaks.



It was an enjoyable and engaging moment for all the employees who were able to familiarize themselves with the initiative and make their own contribution.

Additionally, Friday at Florida Tile is "Jeans Friday": those who decide to make a donation to a charity have the option to wear jeans.

For Florida Tile, the charity front is combined with other important employee involvement projects, such as training and mentoring programs, a periodic reward program for the most deserving employees and a structured listening and feedback system.

## 6.1.2

# EMPLOYEE HEALTH AND SAFETY

Panariagroup, paying great attention to health and safety issues in the workplace, has implemented an **integrated Quality, Environment, Hygiene and Safety management system** in order to guarantee the protection and safety of its workers. This is one of the issues that is considered to be fundamental by both the Group and its stakeholders.

In Italy, an environmental and safety management system has been developed in compliance with the ISO 9001 and 14001 standards, EMAS Regulation and the UNI INAIL Guidelines with the aim of developing and implementing internal procedures aimed at preventing, monitoring and managing accidents and injuries at work. The main mechanisms adopted are:

- a log on the reduction of accidents;
- a list of best practices aimed at avoiding exposure to situations considered dangerous for some work processes;

- the arrangement of meetings between the main health and safety representatives (RSPP, RLSSA and Competent doctor) to assess the negative impacts of some jobs on the health and safety of workers;
- periodic meetings for prevention and protection from health and safety risks, as well as periodic meetings between RSPP and RLSSA aimed at keeping the main managers in the factories constantly informed;
- a risk assessment document in the workplace, prepared in accordance with the requirements of Italian Legislative Decree no. 81/08.

**Panariagroup is also committed to informing all the staff about the importance of applying all safety procedures.**

With regard to Portugal, the Margrès and Love Tiles plants have implemented an integrated Quality, Environment, Health and Safety system, certified according

To guarantee **the protection and safety of its workers is one of the issues that is considered to be fundamental** by both the Group and its stakeholders.



to ISO 9001, ISO 14001 and EMAS, regarding quality and the environment. The safety management system follows the principles of the relevant management standard (currently ISO 45001). The main management tools are:

- workers' representatives for health and safety at work (Law 3/2014);
- an internal procedure for analysing workplace risks;
- a program to improve health and safety conditions at work;
- programs to promote employee health;
- internal training on health and safety at work;
- technical advice on health and safety at work;
- monitoring of workplace risk factors for noise and in-

halation of crystalline silica;

- internal verification of the minimum safety requirements for work equipment (Directive No. 2001/45/EC);
- work analysis meetings, which include health and safety aspects;
- gymnastics at work to prevent musculoskeletal injuries;
- medical and nursing services at work (Law 3/2014);
- procedure for the control of external service providers with regard to social aspects and health and safety in the workplace.

With regard to the American company, at Florida Tile internal procedures are used to keep employees focused on good work practices and on behaviour necessary to avoid potentially dangerous situations or risks





connected to work in the various departments. **Regular meetings are held with the aim of sharing correct procedures and behaviour** among all employees and collecting reports in order to improve the working environment and safety of workplaces.

There is also a doctor available to all employees, who advises not only on work-related illnesses but also on all the requirements that every employee wishes to inquire about.

The Group constantly monitors injury rates and **acts decisively to raise staff awareness** through training and internal communications on aspects of safety at work and through appropriate training for new hires (specific

mentoring with expert staff, correct use of personal protective equipment and provision of appropriate documentation on the subject).

In the Italian plants, following the update of the health and safety risk assessment document, no urgent and immediate risk situations were detected at the workplace. Risk analysis of the plants is constantly updated in order to promptly manage safety and hygiene issues in the workplace.

The Group also carefully considers health and safety when designing its products. The design and development of any Panariagroup product is conducted by qualified lab technicians, according to the guidelines established by a specific internal procedure that in-

Every plant has a list of **operational safety instructions**, describing the correct procedures for performing the most dangerous operations in the vicinity of the machinery.

cludes, whenever a new raw material is used, **a request to the suppliers for a safety protocol indicating all the material's toxicological characteristics**. All safety protocols are checked and verified before receipt of the material, and are stored in the same laboratory for future reference.

The process for the creation of a new product is carefully evaluated **to ensure that the activities related to the various phases of the production cycle do**

**not negatively impact the environment or pose particular risks to workers' health and safety**. To demonstrate the Group's attention to employee health and safety, every plant has a list of operational safety instructions, describing the correct procedures for performing the most dangerous operations in the vicinity of the machinery.



13. The Lost day rate was calculated as the number of days lost/workable hours\* 100,000. The Injury rate was calculated as the number of injuries/worked hours\* 100,000.

## 6.2

# RELATIONS WITH LOCAL COMMUNITIES

For Panariagroup, Sustainability also encompasses relations with local communities. In our management strategies we consider policies concerning the economic and social impact of our presence. The goal is **to adopt sustainable behaviour at every level in relation to the organizations with which Panariagroup interacts.**

The processes implemented for the purpose of the EMAS certification procedure are an excellent opportunity to dialogue with the public and stakeholders regarding environmental and social issues and the potential impact of the Group's activities.

The Group also actively contributes to the growth of local communities through **participation, donations and sponsorships relating to the development and improvement of local conditions.** The data concerning this commitment is shown in the appendix. A relevant example is the donation of tiles to local associations.

Despite its positioning in the upper tier of the market and its high-end differentiation strategy, Panariagroup is committed to selling discontinued or slightly imperfect products at reduced prices to encourage the distribution of its products in markets and communities with lower purchasing power.

In the USA, Florida Tile has demonstrated active commitment through donations and solidarity activities to support hospitals, associations for the protection of disadvantaged groups and sports associations. On some occasions, employees have also been directly involved: for example, several days were organized dedicated to helping cancer patients, during which Florida Tile employees cooked for the patients and for their carers.

**The Panariagroup Group has also always been involved in sports sponsorship.** Its long-term contribution to cycling, involving a multi-year partnership with international professional teams, has been supplemented by more local operations. In this regard, the activities performed by the Portuguese Business Unit are very significant. Every year the Unit organises the Douro Gran Fondo, a top-level competition that attracts non-professional cyclists from all over the world, as well as the organisation of the Love Tiles Cycling Team, which brings together cycling enthusiasts.

The Group is also a partner of the Maratona Dles Dolomites-ENEL, an international amateur cycling race that attracts almost 10,000 participants to every edition. For several years Panariagroup has also been one of the main sponsors of Sassuolo Calcio, a team that reached the top tier of Italian football: in particular, thanks to this initiative, employees can go to the stadium to enjoy great football for free.

263,000 euro

Value of money and products donated to local communities by the Group in 2018.

## 6.3

# RESPONSIBLE SUPPLY CHAIN MANAGEMENT

**The Panariagroup aims to strengthen relations with its suppliers in order to jointly create a system committed to sustainability throughout the whole value chain.**

To this end, the Group, which is also aware of the importance of social and environmental responsibility along the supply chain, **has formalized its Code of Business Conduct with the commitment to start a process of implementation of policies and procedures aimed at selecting suppliers on the basis of sustainability criteria** and monitoring the entire supply chain from an ethical, social and environmental perspective, respecting human and workers' rights.

Since this process is still under development, no evaluations of new suppliers based on sustainability criteria (social and environmental) were carried out in 2018.

The Group's suppliers<sup>14</sup> are mainly "Primary Suppliers", from which the Panariagroup Group purchases raw materials, finished products and services for its main production activities, and "Other Suppliers", which provide energy, maintenance and transport services, as well as other activities and assets for operations.

The evaluation of the "Primary Suppliers", which are then inserted in the List of Qualified Suppliers, considers the following factors:

- Quality of the product offered;
- Level of attention to Environmental Policies;
- Workplace health and safety criteria;
- Price;
- Service provided;
- Results of any visit to the supplier;
- Number of registered Non-Conformities;
- After-sales assistance, focusing in particular on responses to complaints.

Attention to the following aspects is equally important:

- Quality Management System certification in accordance with UNI EN ISO 9001;
- Environmental Management System certification in accordance with UNI EN ISO 14001;
- Possible participation in the EMAS Regulation.

The Panariagroup aims to strengthen relations with its suppliers in order to jointly create a system committed to sustainability.

<sup>14</sup> The percentage of suppliers in the respective categories is calculated on the basis of the expenditure by type of purchase. Costs for commissions for the entire operating area were excluded from the calculation.



Moreover, as regards supply chain monitoring, through a contractual clause Panariagroup requires all its Italian suppliers and contractors to accept the standards of conduct defined by the Group's MOG.231/01 (the Italian Organisational, Management and Control model as per Legislative Decree no. 231 of 2001 regarding the administrative responsibility of companies and institutions) and whose compliance by the supplier is verified by on-site visits carried out by the Group's Purchasing department.

Specifically, **particular importance is given to suppliers of raw materials** since they are the Group's main suppliers and the type of work that they undertake, namely mining activities, produces an environmental impact that is considered to be substantial.

In this regard, the Group monitors the suppliers' management of the quarries from which the raw materials are extracted with inspection visits (audits) carried out

on site at the suppliers' locations by Purchasing Department staff or qualified technicians. During these audits, **the methods for extracting materials, for managing and monitoring the environmental impact generated and for performing subsequent laboratory analyses are checked.**

In Portugal, suppliers of raw materials are duly evaluated using the results from questionnaires sent to them.

The process of selecting suppliers in Portugal, with the aim of avoiding any conflict of interest, deserves a particular mention. Those who require materials are not allowed to formalise an order with a supplier, but they must file a specific request. Only the purchasing department, after having received and compared three quotes from three different potential suppliers, can formally place the order. The administration can only proceed with payment when the whole process has been successfully concluded. **Large investments are always**



**authorised by the technical staff of the Parent Company** in order to add a further control stage to the whole process. In the USA, moreover, the Group added specific sustainability clauses linked to environmental and social aspects to the supply contracts.

**Panariagroup also recognises the importance of promoting the local economy.** In this regard, the tables in the "Appendix" section show the expenditure concentrated on local suppliers, or those who have their registered office in the same Country where the Group's company requesting the supply operates.

**The environmental, social and economic risks that may affect the supply chain deserve particular attention.** From an environmental perspective, the risks are related to the failure by suppliers to properly manage natural resources and to the loss of biodiversity, in particular, in relation to the activities of suppliers of raw materials whose extraction processes could significantly impact the environment.

The production of ceramic starts from the grinding of raw materials. This stage is subject to fluctuations in

quantity and/or price due to issues with the extracting process or to international tensions (conflicts, variation in the cost of transportation due to changes in the value of oil, exchange rates and similar issues). This is one of the reasons why **the Panariagroup Group laboratories and technicians constantly research alternative materials.** The composition of the mixture and transport methods are therefore based on a number of different channels (quarries in different geographic areas, several supply channels, use of different transport methods) so that different solutions can be used depending on the different issues that may arise.

The procurement of raw materials also emerges as a relevant issue, especially with regard to the extraction of the material in the quarries by the suppliers. Panariagroup, in this regard, requires all suppliers of raw materials obtained by mining to have licenses for the mines that include the obligation to redevelop the land when the mines are no longer in use. From a social perspective, moreover, it should be noted that none of the raw materials purchased by the Group are linked to conflict minerals.





**ATTACHMENTS**









# 7.1

## ENVIRONMENTAL DATA

For 2018, the environmental data refers to all production sites and storage centres. The Montanari Ceramiche s.r.l. sales offices and company, a retail outlet, Lea North America LLC. and Panariagroup US Inc., product marketing offices, are excluded since they do not generate an environmental impact that is considered significant.

It should be noted that following a process of updating of the source of the conversion factors in GJ used for calculation of the 2018 data, the 2017 data relating to energy consumption (Natural gas, LPG, Diesel and Petrol) has been restated with respect to those published in the previous NFS, using the new conversion factors for 2018, as in the "Conversion factors in GJ" table below. For the previously published data, see the 2017 Sustainability

Report, published in the Sustainability section on [www.panariagroup.it](http://www.panariagroup.it).

It should be noted that for a better alignment with the requirements of the GRI 305-1 Standard, an updated source of emission factors was used for the calculation of Scope 1 and Scope 2 emissions. It should be noted that for comparative purposes, the data for 2017 has been restated with respect to the data published in the previous NFS, using the new emission factors as shown in the "Emission factors" table below. For data that has been restated, please refer to the relevant table. For the previously published data, see the 2017 Sustainability Report, published in the Sustainability section on [www.panariagroup.it](http://www.panariagroup.it).

### ENERGY PRODUCTION

#### PRODUCTION OF ELECTRICITY FROM RENEWABLE SOURCES

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Production of electricity from renewable sources (kWh)	582,066	-	-	<b>582,066</b>	533,607	-	-	<b>533,607</b>
Production of electricity from renewable sources (GJ)	2,095	-	-	<b>2,095</b>	1,921	-	-	<b>1,921</b>
Emissions avoided CO <sub>2</sub> eq (t) – Location-based	218	-	-	<b>218</b>	192	-	-	<b>192</b>

### ENERGY CONSUMPTION

#### TOTAL ENERGY CONSUMPTION

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Total energy consumption (GJ)	1,752,467	868,179	591,725	<b>3,212,371</b>	1,750,793	925,767	455,694	<b>3,132,254</b>
of which								
from renewable sources (GJ)	2,095	-	-	<b>2,095</b>	1,921	-	-	<b>1,921</b>
from non-renewable sources (GJ)	1,750,372	868,179	591,725	<b>3,210,276</b>	1,748,872	925,767	455,694	<b>3,130,333</b>
Energy intensity (GJ/mq) <sup>4</sup>	0.144	0.136	0.144	<b>0.142</b>	0.147	0.135	0.122	<b>0.139</b>

#### NATURAL GAS CONSUMPTION

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
LNG consumption (Sm <sup>3</sup> )	39,279,690	19,153,583	12,793,786	<b>71,227,059</b>	40,085,019	20,812,267	9,539,084	<b>70,436,370</b>
LNG consumption (GJ)	1,458,461	711,176	475,035	<b>2,644,672</b>	1,454,485	755,173	346,126	<b>2,555,784</b>
CO <sub>2</sub> eq emissions (t)	82,359	40,160	26,825	<b>149,343</b>	82,035	42,593	19,522	<b>144,149</b>

### ELECTRICITY CONSUMPTION

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Electricity consumption (kWh)	77,441,344	42,965,297	32,020,800	<b>152,427,441</b>	77,951,414	46,673,706	29,812,800	<b>154,437,920</b>
Electricity consumption (GJ)	278,789	154,675	115,275	<b>548,739</b>	280,625	168,025	107,326	<b>555,977</b>
CO <sub>2</sub> eq emissions (t) – Location-based	29,041	16,756	14,569	<b>60,366</b>	28,063	14,982	12,551	<b>55,596</b>
CO <sub>2</sub> eq emissions (t) – Market-based	36,019	12,426	14,569	<b>63,014</b>	37,417	18,343	12,551	<b>68,311</b>

### LPG CONSUMPTION

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
LPG consumption (m <sup>3</sup> )	-	628	42	<b>670</b>	-	628	24	<b>652</b>
LPG consumption (GJ)	-	67	4	<b>71</b>	-	67	3	<b>70</b>
CO <sub>2</sub> eq emissions (t)	-	4.2	0.3	<b>4.5</b>	-	4.3	0.2	<b>4.5</b>

### CONSUMPTION FOR FREIGHT HAULING

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Diesel (l)	365,708	63,033	34,542	<b>463,282</b>	383,445	69,691	56,781	<b>509,917</b>
Diesel (GJ)	13,122	2,262	1,239	<b>16,623</b>	13,762	2,501	2,038	<b>18,301</b>
Petrol (l)	-	-	5,220	<b>5,220</b>	-	-	6,155	<b>6,155</b>
Petrol (GJ)	-	-	171	<b>171</b>	-	-	202	<b>202</b>
CO <sub>2</sub> eq diesel emissions (t)	951	164	90	<b>1,205</b>	1,007	183	149	<b>1,340</b>
CO <sub>2</sub> eq petrol emissions (t)	-	-	12	<b>12</b>	-	-	14	<b>14</b>
Total CO <sub>2</sub> eq emissions (t)	951	164	101	<b>1,216</b>	1,007	183	163	<b>1,353</b>

### EMISSIONS

#### TOTAL CO<sub>2</sub>eq EMISSIONS

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Direct emissions – Scope 1 (t) Energy	83,310	40,328	26,927	<b>150,564</b>	83,042	42,780	19,685	<b>145,507</b>
Direct emissions – Scope 1 (t) Process <sup>15</sup>	573	4,031	281	<b>4,885</b>	354	4,537	86	<b>4,977</b>
Direct emissions – Scope 1 (t) Total	83,883	44,359	27,208	<b>155,450</b>	83,396	47,317	19,771	<b>150,484</b>
Indirect emissions – Scope 2 (t) – Location-based <sup>16</sup>	29,041	16,756	14,569	<b>60,366</b>	28,063	14,982	12,551	<b>55,596</b>
Indirect emissions – Scope 2 (t) – Market-based <sup>16</sup>	36,475	12,718	13,481	<b>62,673</b>	37,417	18,343	12,551	<b>68,311</b>
Emissions intensity <sup>4</sup> total Scope 1+2 (tCO <sub>2</sub> eq/m <sup>2</sup> ) – Location based	0.009	0.010	0.010	<b>0.010</b>	0.009	0.009	0.009	<b>0.009</b>
Emissions intensity <sup>4</sup> total Scope 1+2 (tCO <sub>2</sub> eq/m <sup>2</sup> ) – Market-based	0.010	0.009	0.010	<b>0.010</b>	0.010	0.010	0.009	<b>0.010</b>

15. The figure for Scope 1 direct emissions generated by the production process for the American Business Unit is estimated based on the European parameters already used for the Italian and Portuguese Business Units.

16. The emission factors reported by TERNA, International Comparisons 2016, are expressed in tons of CO<sub>2</sub>, however the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas (CO<sub>2</sub>eq) emissions, as can be inferred from the relevant technical literature.

## NOx, SOx AND OTHER POLLUTANT EMISSIONS

	2017	2018
	t/YEAR	t/YEAR
NOx	109	134
SOx	43	47
Persistent organic pollutants (POPs)	6	-
Volatile organic compounds (VOCs)	30	55
Hazardous air pollutants (HAPs)	-	3
Particulate matter (PM)	80	67
Other standard categories of air emissions identified in relevant regulations	150	38

## EMISSION FACTORS

Emission factors	2018					
	Electricity (gCO <sub>2</sub> /kWh) – Location-based <sup>16</sup>	Electricity (gCO <sub>2</sub> /kWh) – Market-based <sup>16</sup>	Natural gas (tCO <sub>2</sub> eq/Smc)	LPG (tCO <sub>2</sub> eq/ton)	Diesel (tCO <sub>2</sub> eq/ton)	Petrol (tCO <sub>2</sub> eq/ton)
Italy	360	480				
Portugal	321	393	0.00205	2.937	3.132	3.002
US	421	421				
Source	TERNA, Confronti Internazionali, 2016	European Residual Mix 2017 for Italy and Portugal, TERNA International Comparisons, 2016 for US	DEFRA 2018	DEFRA 2018	DEFRA 2018	DEFRA 2018

## EMISSION FACTORS

Emission factors	2017					
	Electricity (gCO <sub>2</sub> /kWh) – Location-based <sup>16</sup>	Electricity (gCO <sub>2</sub> /kWh) – Market-based <sup>16</sup>	Natural gas (tCO <sub>2</sub> eq/Smc)	LPG (tCO <sub>2</sub> eq/ton)	Diesel (tCO <sub>2</sub> eq/ton)	Petrol (tCO <sub>2</sub> eq/ton)
Italy	360	471				
Portugal	321	296	0.00210	2.940	3.099	2.998
US	421	421				
Source	TERNA, Confronti Internazionali 2016	European Residual Mix 2016 for Italy and Portugal, TERNA International Comparisons 2016 for US	DEFRA 2017	DEFRA 2017	DEFRA 2017	DEFRA 2017

## CONVERSION FACTORS IN GJ

	2017	2018
	LCV	LCV
Natural Gas (GJ/Smc)	0.03713	0.03629
LPG (GJ/ton)	45.958	45.916
Diesel (GJ/ton)	42.771	42.793
Petrol (GJ/ton)	43.921	43.918
Source	DEFRA 2017	DEFRA 2018

## WATER

### WATER FROM WELLS AND MAINS SUPPLY

	2017				2018			
	IT <sup>17</sup>	PT	US	TOTAL	IT	PT	US	TOTAL
Total water consumption (m <sup>3</sup> )	190,829	151,350	45,467	<b>387,645</b>	190,354	167,334	36,942	<b>394,630</b>
of which from wells (m <sup>3</sup> )	178,237	147,035	-	<b>325,272</b>	179,754	162,112	-	<b>341,866</b>
of which mains water (m <sup>3</sup> )	12,592	4,315	45,467	<b>62,373</b>	10,601	5,222	36,942	<b>52,765</b>
Intensity of water consumption <sup>4</sup> (m <sup>3</sup> /m <sup>2</sup> )	0.016	0.024	0.011	<b>0.017</b>	0.016	0.024	0.010	<b>0.018</b>

### RECYCLED AND RE-USED WATER

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Total recycled and re-used water (m <sup>3</sup> )	202,714	126,439	14,723	<b>343,877</b>	245,770	129,890	23,746	<b>399,406</b>

### WASTEWATER DISCHARGE

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Total waste water discharge (m <sup>3</sup> )	-	34,140	10,884	<b>44,984</b>	-	41,075	13,195	<b>54,270</b>

## WASTE

### WASTE BY TREATMENT

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Recovered/recycled (t)	53,827	18,234	15,173	<b>87,234</b>	49,446	15,471	287	<b>65,204</b>
of which hazardous (t)	67	15	-	<b>82</b>	42	19	-	<b>61</b>
Disposal (t)	3,182	52	3,147	<b>6,381</b>	798	6	3,023	<b>3,827</b>
of which hazardous (t)	152	52	-	<b>204</b>	125	6	-	<b>131</b>
Total waste produced (t)	57,009	18,286	18,320	<b>93,614</b>	50,244	15,447	3,310	<b>69,031</b>
Percentage of hazardous waste	0.38%	0.37%	0.0%	<b>0.31%</b>	0.33%	0.16%	0.0%	<b>0.28%</b>

## PRODUCTION FIGURES

	2017				2018			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Surface area of tiles produced (m <sup>2</sup> )	12,202,884	6,389,720	4,098,111	<b>22,690,715</b>	11,905,150	6,851,384	3,729,993	<b>22,486,526</b>
Metric tons of tiles produced (t)	297,003	128,235	81,367	<b>506,605</b>	284,956	138,654	74,599	<b>498,209</b>

<sup>17</sup> The data does not include the water consumption of the Casalgrande storage centre.



# 7.2

## HUMAN RESOURCES DATA

Please note that due to an improvement in the reporting system, the 2017 data relating to parental leave has been restated with respect to the data published in the

previous NFS. For the previously published data, see the 2017 Sustainability Report, published in the Sustainability section on [www.panariagroup.it](http://www.panariagroup.it).

### EMPLOYEES

#### EMPLOYEES BY NATION, GENDER AND CONTRACT TYPE AS OF 31 DECEMBER

	2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>ITALY</b>	<b>516</b>	<b>278</b>	<b>794</b>	<b>540</b>	<b>280</b>	<b>820</b>
Permanent employees	505	272	777	524	275	799
Fixed-term contract employees	11	6	17	16	5	21
<b>PORTUGAL</b>	<b>306</b>	<b>119</b>	<b>425</b>	<b>321</b>	<b>122</b>	<b>443</b>
Permanent employees	252	107	359	273	107	380
Fixed-term contract employees	54	12	66	48	15	63
<b>US</b>	<b>352</b>	<b>158</b>	<b>510</b>	<b>333</b>	<b>145</b>	<b>478</b>
Permanent employees	352	156	508	333	144	477
Fixed-term contract employees	-	2	2	-	1	1
<b>GROUP TOTAL</b>	<b>1,174</b>	<b>555</b>	<b>1,729</b>	<b>1,194</b>	<b>547</b>	<b>1,741</b>
Permanent employees	1,109	535	1,644	1,130	526	1,656
Fixed-term contract employees	65	20	85	64	21	85

#### PART-TIME AND FULL-TIME EMPLOYEES BY GENDER AS OF 31 DECEMBER

	2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>ITALY</b>	<b>516</b>	<b>278</b>	<b>794</b>	<b>540</b>	<b>280</b>	<b>820</b>
Full-time	509	236	745	532	238	770
Part-time	7	42	49	8	42	50
<b>PORTUGAL</b>	<b>306</b>	<b>119</b>	<b>425</b>	<b>321</b>	<b>122</b>	<b>443</b>
Full-time	306	119	425	321	122	443
Part-time	-	-	-	-	-	-
<b>US</b>	<b>352</b>	<b>158</b>	<b>510</b>	<b>333</b>	<b>145</b>	<b>478</b>
Full-time	350	156	506	331	145	476
Part-time	2	2	4	2	-	2
<b>GROUP TOTAL</b>	<b>1,174</b>	<b>555</b>	<b>1,729</b>	<b>1,194</b>	<b>547</b>	<b>1,741</b>
Full-time	1,165	511	1,676	1,184	505	1,689
Part-time	9	44	53	10	42	52

#### EMPLOYEES BY CONTRACT LEVEL AND GENDER AS OF 31 DECEMBER

	2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>ITALY</b>						
Senior managers	39	-	39	37	-	37
White-collar workers	164	108	272	174	108	282
Blue-collar workers	313	170	483	329	172	501
<b>TOTAL</b>	<b>516</b>	<b>278</b>	<b>794</b>	<b>540</b>	<b>280</b>	<b>820</b>
<b>PORTUGAL</b>						
Senior managers	11	3	14	11	3	14
White-collar workers	37	51	88	40	53	93
Blue-collar workers	258	65	323	270	66	336
<b>TOTAL</b>	<b>306</b>	<b>119</b>	<b>425</b>	<b>321</b>	<b>122</b>	<b>443</b>
<b>US</b>						
Senior managers	18	6	24	19	7	26
White-collar workers	112	116	228	107	108	215
Blue-collar workers	222	36	258	207	30	237
<b>TOTAL</b>	<b>352</b>	<b>158</b>	<b>510</b>	<b>333</b>	<b>145</b>	<b>478</b>
<b>GROUP</b>						
Senior managers	68	9	77	67	10	77
White-collar workers	313	275	588	321	269	590
Blue-collar workers	793	271	1,064	806	268	1,074
<b>GROUP TOTAL</b>	<b>1,174</b>	<b>555</b>	<b>1,729</b>	<b>1,194</b>	<b>547</b>	<b>1,741</b>

#### EMPLOYEES BY CONTRACT LEVEL AND AGE AS OF 31 DECEMBER

	2017				2018			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
<b>ITALY</b>								
Senior managers	-	18	21	39	-	18	19	37
White-collar workers	13	196	63	272	11	197	74	282
Blue-collar workers	8	274	201	483	20	273	208	501
<b>TOTAL</b>	<b>21</b>	<b>488</b>	<b>285</b>	<b>794</b>	<b>31</b>	<b>488</b>	<b>301</b>	<b>820</b>
<b>PORTUGAL</b>								
Senior managers	-	11	3	14	-	11	3	14
White-collar workers	8	65	15	88	11	66	16	93
Blue-collar workers	28	190	105	323	33	196	107	336
<b>TOTAL</b>	<b>36</b>	<b>266</b>	<b>123</b>	<b>425</b>	<b>44</b>	<b>273</b>	<b>126</b>	<b>443</b>
<b>US</b>								
Senior managers	-	13	11	24	-	14	12	26
White-collar workers	22	133	73	228	24	117	74	215
Blue-collar workers	51	135	72	258	48	121	68	237
<b>TOTAL</b>	<b>73</b>	<b>281</b>	<b>156</b>	<b>510</b>	<b>72</b>	<b>252</b>	<b>154</b>	<b>478</b>
<b>GROUP</b>								
Senior managers	-	42	35	77	-	43	34	77
White-collar workers	43	394	151	588	46	380	164	590
Blue-collar workers	87	599	378	1,064	101	590	383	1,074
<b>GROUP TOTAL</b>	<b>130</b>	<b>1,035</b>	<b>564</b>	<b>1,729</b>	<b>147</b>	<b>1,013</b>	<b>581</b>	<b>1,741</b>

**PROTECTED CLASS EMPLOYEES<sup>18</sup> BY CONTRACT LEVEL AND GENDER AS OF 31 DECEMBER**

	2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>ITALY</b>						
Senior managers	-	-	-	-	-	-
White-collar workers	1	1	2	1	2	3
Blue-collar workers	20	10	30	22	10	32
<b>TOTAL</b>	<b>21</b>	<b>11</b>	<b>32</b>	<b>23</b>	<b>12</b>	<b>35</b>
<b>PORTUGAL</b>						
Senior managers	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>US</b>						
Senior managers	-	-	-	-	-	-
White-collar workers	2	-	2	1	-	1
Blue-collar workers	-	-	-	2	-	2
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>GROUP</b>						
Senior managers	-	-	-	-	-	-
White-collar workers	3	1	4	2	2	4
Blue-collar workers	20	10	30	24	10	34
<b>GROUP TOTAL</b>	<b>23</b>	<b>11</b>	<b>34</b>	<b>26</b>	<b>12</b>	<b>38</b>

**BOARD OF DIRECTORS BY AGE AS OF 31 DECEMBER 2018**

	GENDER	2018		
		40-50	51-60	>60
Emilio Mussini	M		•	
Paolo Mussini	M			•
Andrea Mussini	M			•
Giuliano Pini	M			•
Giuliano Mussini	M			•
Silvia Mussini	F		•	
Daniele Prodi	M		•	
Sonia Bonfiglioli	F		•	
Tiziana Ferrari	F	•		
Francesca Bazoli	F		•	
<b>60% men</b>				
<b>40% women</b>				

18. The protected class category is defined according to the local laws of each individual Country. For the calculation of US protected classes, only employees with "disability" status were considered in order to further align the data in relation to the laws of Italy and Portugal.

**NEW HIRES<sup>19</sup> BY GENDER AND AGE**

	2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>ITALY</b>						
Age <30 years	5	-	5	14	3	17
Age 30-50 years	11	3	14	28	5	33
Age > 50 years	2	1	3	-	1	1
<b>Total</b>	<b>18</b>	<b>4</b>	<b>22</b>	<b>42</b>	<b>9</b>	<b>51</b>
Employee new hires as % of total	3.5%	1.4%	2.8%	7.8%	3.2%	6.2%
<b>PORTUGAL</b>						
Age <30 years	18	3	21	14	6	20
Age 30-50 years	17	5	22	21	6	27
Age > 50 years	1	1	2	3	-	3
<b>Total</b>	<b>36</b>	<b>9</b>	<b>45</b>	<b>38</b>	<b>12</b>	<b>50</b>
Employee new hires as % of total	11.8%	7.6%	10.6%	11.8%	9.8%	11.3%
<b>US</b>						
Age <30 years	41	9	50	40	17	57
Age 30-50 years	72	40	112	56	21	77
Age > 50 years	15	3	18	17	5	22
<b>Total</b>	<b>128</b>	<b>52</b>	<b>180</b>	<b>113</b>	<b>43</b>	<b>156</b>
Employee new hires as % of total	36.4%	32.9%	35.3%	33.9%	29.7%	32.6%
<b>GROUP</b>						
Age <30 years	64	12	76	68	26	94
Age 30-50 years	100	48	148	105	32	137
Age > 50 years	18	5	23	20	6	26
<b>Total</b>	<b>182</b>	<b>65</b>	<b>247</b>	<b>193</b>	<b>64</b>	<b>257</b>
New hires as % of total <sup>20</sup>	15.5%	11.7%	14.3%	16.2%	11.7%	14.8%

19. Data on new hires does not include seasonal personnel and intra-group transfers.

20. New hires as a % of total is calculated as follows: (number of new hires during the year)/ (total employees at the end of the year)\*100.



## EMPLOYEE TERMINATIONS<sup>21</sup> BY GENDER AND AGE

	2017			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>ITALY</b>						
Age <30 years	1	1	2	1	2	3
Age 30-50 years	9	2	11	6	3	9
Age > 50 years	4	1	5	10	3	13
Total	14	4	18	17	8	25
Employee terminations as a % of total	2.7%	1.4%	2.3%	3.1%	2.9%	3.0%
<b>PORTUGAL</b>						
Age <30 years	3	-	3	5	3	8
Age 30-50 years	5	3	8	13	5	18
Age > 50 years	-	1	1	5	1	6
Total	8	4	12	23	9	32
Employee terminations as a % of total	2.6%	3.4%	2.8%	7.2%	7.4%	7.2%
<b>US</b>						
Age <30 years	38	12	50	35	12	47
Age 30-50 years	74	27	101	79	28	107
Age > 50 years	14	6	20	18	16	34
Total	126	45	171	132	56	188
Employee terminations as a % of total	35.8%	28.5%	33.5%	39.6%	38.6%	39.3%
<b>GROUP</b>						
Age <30 years	42	13	55	41	17	58
Age 30-50 years	88	32	120	98	36	134
Age > 50 years	18	8	26	33	20	53
Total	148	53	201	172	73	245
Employee terminations as a % of total <sup>22</sup>	12.6%	9.5%	11.6%	14.4%	13.3%	14.1%

## PARENTAL LEAVE

### PARENTAL LEAVE 2018<sup>23</sup>

	IT			PT			US		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>Employees who took parental leave during 2018</b>	-	6	6	5	2	7	-	3	3
<b>of which status as of 31/12/2018</b>									
Still on leave	-	2	2	1	2	3	-	-	-
Returned and still employed	-	4	4	4	-	4	-	3	3
Resigned	-	-	-	-	-	-	-	-	-
<b>Return to work rate as of 31/12/2018</b>	-	100%	100%	100%	100%	100%	-	100%	100%

### PARENTAL LEAVE 2018<sup>23</sup>

	IT			PT			US		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
<b>Employees who took parental leave during 2017</b>	-	5	5	8	3	11	-	3	3
<b>of which status as of 31.12.2017</b>									
Still on leave	-	3	3	-	2	2	-	3	3
Returned and still employed	-	2	2	8	1	9	-	-	-
Resigned	-	-	-	-	-	-	-	-	-
<b>Return to work rate as of 31/12/2017</b>	-	100%	100%	100%	100%	100%	-	-	-
<b>Employees who took parental leave during 2017</b>	-	5	5	8	3	11	-	3	3
<b>of which status as of 31/12/2018</b>									
Still on leave	-	-	-	-	-	-	-	-	-
Returned and still employed	-	5	5	7	3	10	-	3	3
Resigned	-	-	-	1	-	1	-	-	-
<b>Retention rate as of 31/12/2018</b>	-	100%	100%	88%	100%	91%	-	100%	100%

### GROUP

	MEN			WOMEN			TOTAL			% MEN	% WOMEN
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL		
<b>Employees who took parental leave during 2018</b>	5	11	16	31%	69%						
<b>of which status as of 31/12/2018</b>											
Still on leave	1	4	5	20%	36%						
Returned and still employed	4	7	11	80%	64%						
Resigned	-	-	-	0%	0%						
<b>Return to work rate as of 31/12/2018</b>	100%	100%	100%	-	-						
<b>Employees who took parental leave during 2017</b>	8	11	19	42%	58%						
<b>of which status as of 31/12/2018</b>											
Still on leave	-	-	-	0%	0%						
Returned and still employed	7	11	18	88%	100%						
Resigned	1	-	1	13%	0%						
<b>Retention rate as of 31/12/2018</b>	88%	100%	95%	-	-						

21. The data for employee terminations does not include seasonal personnel and intra-group transfers.

22. Employee terminations as a % of total is calculated as follows: (number of outgoing employees during the year)/ (total employees at the end of the year)\*100.

23. The data exclusively refers to parental leave of at least 30 days.

## TRAINING

### AVERAGE HOURS OF TRAINING PER EMPLOYEE CATEGORY 2017

	IT			PT			US			TOTAL								
	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN						
	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg						
Senior managers	77	2.0	-	0.0	77.0	2.0	131.5	11.9	318	106.0	448.5	32.0	9	0.5	0.0	0.0	9.0	0.4
White-collar workers	436	2.7	53	0.49	489	1.8	747	20.2	897	17.6	1,644	18.7	1,999	17.8	1,179	10.2	3,178	13.9
Blue-collar workers	1,024	3.3	564	3.32	1,588	3.3	1,328	5.1	191	2.9	1,519	4.7	1,946	8.8	359	10.0	2,305	8.9
<b>TOTAL</b>	<b>1,537</b>	<b>3.0</b>	<b>617</b>	<b>2.2</b>	<b>2,154</b>	<b>2.7</b>	<b>2,206</b>	<b>7.2</b>	<b>1,406</b>	<b>11.8</b>	<b>3,612</b>	<b>8.5</b>	<b>3,954</b>	<b>11.2</b>	<b>1,538</b>	<b>9.7</b>	<b>5,492</b>	<b>10.8</b>

### AVERAGE HOURS OF TRAINING PER EMPLOYEE CATEGORY 2018

	IT			PT			US			TOTAL								
	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN						
	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg						
Senior managers	153	4.1	-	-	153	4.1	141	12.8	206	68.5	347	24.8	18	0.9	5	0.7	23	0.9
White-collar workers	432	2.5	110	1.0	542	1.9	604	15.1	2,725	51.4	3,329	35.8	249	2.3	161	1.5	410	1.9
Blue-collar workers	1,184	3.6	526	3.1	1,710	3.4	1,430	5.3	379	5.7	1,808	5.4	1,205	5.8	211	7.0	1,416	6.0
<b>TOTAL</b>	<b>1,769</b>	<b>3.3</b>	<b>636</b>	<b>2.3</b>	<b>2,404</b>	<b>2.9</b>	<b>2,174</b>	<b>6.8</b>	<b>3,309</b>	<b>27.1</b>	<b>5,483</b>	<b>12.4</b>	<b>1,471</b>	<b>4.4</b>	<b>377</b>	<b>2.6</b>	<b>1,848</b>	<b>3.9</b>

## OCCUPATIONAL DISEASE AND ABSENTEEISM

### OCCUPATIONAL DISEASE AND ABSENTEEISM 2017<sup>24</sup>

	IT			PT			US			GROUP		
	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN
	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg
Absence (days)	7,429	7,518	14,947	2,019	1,134	3,153	140	2	142	9,588	8,654	18,243
Occupational diseases	1	-	1	1	-	1	-	-	-	2	-	2
Possible working hours	1,007,513	507,813	1,515,325	648,948	255,835	904,783	802,915	285,861	1,088,776	2,459,375	1,049,509	3,508,884
Hours worked	863,673	391,766	1,255,439	563,010	209,205	772,215	801,795	285,845	1,087,640	2,228,477	886,816	3,115,294
Possible working days	126,239	63,657	189,896	81,118	31,719	112,838	100,385	35,700	136,085	307,743	131,076	438,819
<b>Occupational disease rate (*100,000)</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
<b>Absentee rate (*1,000)</b>	<b>58.85</b>	<b>118.11</b>	<b>78.71</b>	<b>24.89</b>	<b>35.75</b>	<b>27.95</b>	<b>1.39</b>	<b>0.06</b>	<b>1.04</b>	<b>31.16</b>	<b>66.03</b>	<b>41.57</b>

### OCCUPATIONAL DISEASE AND ABSENTEEISM 2018<sup>24</sup>

	IT			PT			US			GROUP		
	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN
	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg
Absence (days)	7,091	6,535	13,626	1,910	1,369	3,279	122	-	122	9,123	7,904	17,027
Occupational diseases	-	-	-	2	-	2	-	-	-	2	-	2
Possible working hours	1,018,174	496,573	1,514,747	653,974	247,862	901,836	678,762	292,442	971,204	2,350,910	1,036,877	3,387,787
Hours worked	893,459	387,228	1,280,687	585,928	216,685	802,613	677,664	292,442	970,106	2,157,051	896,355	3,053,406
Possible working days	127,572	62,195	189,766	81,747	30,983	112,729	84,836	36,587	121,423	294,154	129,764	423,919
<b>Occupational disease rate (*100,000)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
<b>Absentee rate (*1,000)</b>	<b>55.58</b>	<b>105.07</b>	<b>71.80</b>	<b>23.37</b>	<b>44.19</b>	<b>29.09</b>	<b>1.44</b>	<b>0.00</b>	<b>1.00</b>	<b>31.02</b>	<b>60.91</b>	<b>40.17</b>

## INJURY RATE AND SEVERITY INDEX

### INJURY RATE AMONG THE GROUP'S EMPLOYEES AND LOST DAY RATE 2017

	IT			PT			US			GROUP		
	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN	MEN		WOMEN
	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg	Hours	Avg
Injuries	36	19	55	25	6	31	7	1	8	68	26	94
of which ongoing	1	1	2	2	-	2	-	-	-	3	1	4
of which in the workplace	35	18	53	23	6	29	7	1	8	65	25	90
Fatal injuries	-	-	-	-	-	-	-	-	-	-	-	-
Working days lost	578	465	1,043	512	95	607	140	2	142	1,230	562	1,792
Possible working hours	1,007,513	507,813	1,515,325	648,948	255,835	904,783	802,915	285,861	1,088,776	2,459,375	1,049,509	3,508,884
Hours worked	863,673	391,766	1,255,439	563,010	209,205	772,215	801,795	285,845	1,087,640	2,228,477	886,816	3,115,294
Possible working days	126,239	63,657	189,896	81,118	31,719	112,838	100,385	35,700	136,085	307,743	131,076	438,819
<b>Lost day rate (*100,000)</b>	<b>57.4</b>	<b>91.6</b>	<b>68.8</b>	<b>78.9</b>	<b>37.1</b>	<b>67.1</b>	<b>17.4</b>	<b>0.7</b>	<b>13.0</b>	<b>50.0</b>	<b>53.5</b>	<b>51.1</b>
<b>Injury rate (*100,000)</b>	<b>4.2</b>	<b>4.8</b>	<b>4.4</b>	<b>4.4</b>	<b>2.9</b>	<b>4.0</b>	<b>0.9</b>	<b>0.3</b>	<b>0.7</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>

24. The data relating to absences only includes absences due to injury and occupational disease.



## INJURY RATE AMONG THE GROUP'S EMPLOYEES AND LOST DAY RATE 2018

	IT			PT			US			GROUP		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Injuries	34	19	<b>53</b>	26	10	<b>36</b>	20	5	<b>25</b>	80	34	<b>114</b>
of which ongoing	2	2	<b>4</b>	2	-	<b>2</b>	-	-	-	4	2	<b>6</b>
of which in the workplace	32	17	<b>49</b>	24	10	<b>34</b>	20	5	<b>25</b>	76	32	<b>108</b>
Fatal injuries	-	-	-	-	-	-	-	-	-	-	-	-
Working days lost	1,287	701	<b>1,988</b>	475	85	<b>560</b>	155	-	<b>155</b>	1,917	786	<b>2,703</b>
Possible working hours	1,018,174	496,573	<b>1,514,747</b>	653,974	247,862	<b>901,836</b>	678,762	292,442	<b>971,204</b>	2,350,910	1,036,877	<b>3,387,787</b>
Hours worked	893,459	387,228	<b>1,280,687</b>	585,928	216,685	<b>802,613</b>	677,664	292,442	<b>970,106</b>	2,157,051	896,355	<b>3,053,406</b>
Possible working days	127,572	62,195	<b>189,766</b>	81,747	30,983	<b>112,729</b>	84,836	36,587	<b>121,423</b>	294,154	129,764	<b>423,919</b>
Lost day rate (*100,000)	<b>126.4</b>	<b>141.2</b>	<b>131.2</b>	<b>72.6</b>	<b>34.3</b>	<b>62.1</b>	<b>22.8</b>	<b>0.0</b>	<b>16.0</b>	<b>81.5</b>	<b>75.8</b>	<b>79.8</b>
Injury rate (*100,000)	<b>3.8</b>	<b>4.9</b>	<b>4.1</b>	<b>4.4</b>	<b>4.6</b>	<b>4.5</b>	<b>3.0</b>	<b>1.7</b>	<b>2.6</b>	<b>3.7</b>	<b>3.8</b>	<b>3.7</b>

## LOCALLY HIRED MANAGEMENT

### LOCALLY HIRED MANAGEMENT<sup>25</sup> 2017

	IT			PT			US		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Senior manager	39	-	<b>39</b>	11	3	<b>14</b>	18	6	<b>24</b>
of whom hired locally	39	-	<b>39</b>	11	3	<b>14</b>	13	5	<b>18</b>
% of locally hired management	100%	-	<b>100%</b>	100%	100%	<b>100%</b>	72%	83%	<b>75%</b>

### LOCALLY HIRED MANAGEMENT<sup>25</sup> 2018

	IT			PT			US		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Senior manager	37	-	<b>37</b>	11	3	<b>14</b>	19	7	<b>26</b>
of whom hired locally	37	-	<b>37</b>	11	3	<b>14</b>	14	6	<b>20</b>
% of locally hired management	100%	-	<b>100%</b>	100%	100%	<b>100%</b>	74%	86%	<b>77%</b>

## COLLECTIVE BARGAINING AGREEMENTS

### EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS AS OF 31 DECEMBER

	2017				2018			
	IT	PT	US <sup>26</sup>	GROUP	IT	PT	US <sup>26</sup>	GROUP
Employees covered by collective bargaining agreements	794	415	-	<b>1,209</b>	820	438	-	<b>1,258</b>
Percentage	<b>100%</b>	<b>98%</b>	<b>0%</b>	<b>70%</b>	<b>100%</b>	<b>99%</b>	<b>0%</b>	<b>72%</b>

25. Locally hired management refers to management with Italian citizenship for the Italy Business Unit, management with Portuguese citizenship for the Portugal Business Unit and management with US citizenship for the US Business Unit.

26. No collective bargaining agreement is in force in the USA.

## STANDARD SALARY FOR NEW HIRES

### RATIO BETWEEN THE BASIC SALARY OF NEWLY HIRED WORKERS AND THE LEGAL MINIMUM WAGE

	2017					
	IT		PT		US <sup>27</sup>	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Local minimum gross salary permitted by law <sup>28</sup>	1,539.49	1,539.49	557	557	1,378.11	1,093.09
Minimum gross salary for new hires	1,539.49	1,539.49	567	567	2,281.01	1,816.79
Ratio between the standard new hire level and the local minimum salary, by gender	1.0	1.0	1.02	1.02	1.66	1.66

	2018					
	IT		PT		US <sup>27</sup>	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Local minimum gross salary permitted by law <sup>28</sup>	1,563	1,563	580	580	1,378.11	1,093.09
Minimum gross salary for new hires	1,563	1,563	580	580	2,281.01	1,816.79
Ratio between the standard new hire level and the local minimum salary, by gender	1.0	1.0	1.0	1.0	1.66	1.66

27. For the American Business Unit, the figure for the minimum gross salary for new hires is estimated based on the offering letter for the lowest professional category.

28. The local minimum gross salary is defined on the basis of specific national regulations.

# 7.3

## SUPPLY CHAIN DATA

It should be noted that following a process of improvement to the reporting system, the 2017 data relating to the Portuguese Business Unit's packaging material has been restated with respect

to the data published in the previous NFS. For the previously published data, see the 2017 Sustainability Report, published in the Sustainability section on [www.panariagroup.it](http://www.panariagroup.it).

### LOCAL SUPPLIERS

#### PROPORTION OF EXPENDITURE ON LOCAL SUPPLIERS (MILLIONS OF EURO)<sup>29</sup>

	2017				2018			
	IT	PT	US	GROUP	IT	PT	US	GROUP
Local suppliers	118	43	77	<b>238</b>	127	48	65	<b>240</b>
All suppliers	122	54	91	<b>267</b>	132	56	76	<b>264</b>
Percentage	97%	80%	85%	<b>89%</b>	96%	86%	86%	<b>91%</b>

### MATERIALS USED

#### MATERIALS USED BY WEIGHT (t)

	2017				2018			
	IT	PT <sup>30</sup>	US	GROUP	IT	PT	US	GROUP
Clay	136,025	82,381	38,581	<b>256,997</b>	137,088	90,313	31,088	<b>258,489</b>
Feldspar	126,181	57,032	52,524	<b>235,737</b>	129,740	69,262	38,351	<b>237,353</b>
Sand	54,151	9,797	10,319	<b>74,267</b>	58,677	9,066	8,209	<b>75,952</b>
Glazes and colouring agents	9,083	4,711	1,931	<b>15,725</b>	9,601	5,463	1,513	<b>16,578</b>
Atomized	7,664	-	-	<b>7,664</b>	-	-	-	-
Zirconium/whitening agents	772	284	214	<b>1,270</b>	914	333	177	<b>1,424</b>
Additives	2,733	1,001	551	<b>4,285</b>	2,525	1,062	576	<b>4,164</b>
Ground fired material	16,759	361	-	<b>17,120</b>	17,766	1,279	-	<b>19,045</b>
Packaging	12,438	991	4,446	<b>17,875</b>	12,392	896	3,533	<b>16,821</b>
Other	5,402	7,745	10,090	<b>23,237</b>	2,954	8,890	4,093	<b>15,937</b>
<b>TOTAL</b>	<b>371,218</b>	<b>164,302</b>	<b>118,656</b>	<b>654,176</b>	<b>371,657</b>	<b>186,565</b>	<b>87,541</b>	<b>645,763</b>

29. With regard to expenditure on local suppliers, local refers to the various geographical areas where the Group's companies are located (Italy, Portugal and the USA).

The monetary value for local supplier is calculated net of intercompany transactions and VAT for all the reference countries.

30. The figure for "Packaging" raw materials in the Portugal BU, for 2017, was restated to ensure more consistent data.





8

**GRI**  
CONTENT INDEX

## GRI CONTENT INDEX

GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
<b>GRI 102: GENERAL STANDARD DISCLOSURE (2016)</b>			
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization	48	
102-2	Main brands, products and/or services	82-83	
102-3	Location of headquarters	48	
102-4	Geographical areas of operation	50-51	
102-5	Ownership and legal form	48; 54-55	
102-6	Markets served	50-51	
102-7	Scale of the organization	44-45 Panariagroup Industrie Ceramiche S.p.A.'s market cap as of 12/28/2018 was 66.67 million euro.	
102-8	Characteristics of the workforce	150	
102-9	The Organization's supply chain	139-141	
102-10	Significant changes in the Organization and its supply chain	18	
102-11	Application of a prudent approach to risk management	57-59	
102-12	External initiatives	24-25	
102-13	Main partnerships and affiliations	31-33	
<b>STRATEGY</b>			
102-14	Statement by the highest decision-making authority	7	
<b>ETHICS AND INTEGRITY</b>			
102-16	The Organization's values, principles, standards and rules of conduct	52-53	
<b>GOVERNANCE</b>			
102-18	The Organization's governance structure	54-56	
102-19	Delegated authority for economic, environmental and social issues	56	
102-22	Composition of the highest governing body and its committees	55-56	
102-23	President of the highest governing body	54	
102-26	Role of the highest governing body in defining purpose, values and strategy	54	
102-30	Effectiveness of risk management processes	57	

GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
102-32	Role of the highest governing body in the sustainability reporting process	56	
102-35	Remuneration policies of the highest governing body and top management	See "Board of Director's Report on Remuneration" in section 1: Remuneration policies	
102-36	Processes for determining remuneration policies	See "Board of Director's Report on Remuneration" in section 1: Remuneration policies	
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholders	24-25	
102-41	Employees covered by National Collective Labour Agreement	127; 158	
102-42	Identification and selection of stakeholders	22-23	
102-43	Approach to stakeholder engagement	24-25	
102-44	Material and relevant topics that emerged from engagement	27-29	
<b>REPORTING PRACTICES</b>			
102-45	Companies included in the consolidated financial statement	18	
102-46	Definition of the report content and the scope of material topics	26-29	
102-47	List of material topics	27	
102-48	Changes to information contained in previous reports	18; 146; 150; 160	
102-49	Significant changes in the report	18	
102-50	Reporting period	18	
102-51	Date of most recent report	30 March 2018	
102-52	Reporting cycle	Annual	
102-53	Contacts for questions regarding the report	19	
102-54	Reports compliance with GRI Standards	18	
102-55	GRI content index	164-170	
102-56	External assurance	171-173	
<b>SPECIFIC STANDARD DISCLOSURES</b>			
<b>GRI 200: ECONOMIC SERIES</b>			
<b>ECONOMIC PERFORMANCE (2016)</b>			
103-1	Explanation of material aspects and their boundaries	28; 30	
103-2	Management approach and its components	66-71	
103-3	Evaluation of the management approach	66-71	
201-1	Direct economic value generated and distributed	68-69	



GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
<b>MARKET PRESENCE (2016)</b>			
103-1	Explanation of material aspects and their boundaries	28; 30	
103-2	Management approach and its components	127	
103-3	Evaluation of the management approach	127	
202-1	Ratio between the standard wage for new hires by gender and the local minimum salary	159	
02-2	Managers hired from the local community	158	
<b>PROCUREMENT PRACTICES (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	139-141	
103-3	Evaluation of the management approach	139-141	
204-1	Expenditure on local suppliers	160	
<b>ANTI-CORRUPTION (2016)</b>			
103-1	Explanation of material aspects and their boundaries	28; 30	
103-2	Management approach and its components	60-61	
103-3	Evaluation of the management approach	60-61	
205-3	Confirmed incidents of corruption and actions taken	61	
<b>ANTI-COMPETITIVE BEHAVIOUR (2016)</b>			
103-1	Explanation of material aspects and their boundaries	28; 30	
103-2	Management approach and its components	60-61	
103-3	Evaluation of the management approach	60-61	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	61	
<b>GRI 300: ENVIRONMENTAL SERIES</b>			
<b>MATERIALS (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	108-109	
103-3	Evaluation of the management approach	108-109	
301-1	Materials used by weight and volume	108-109; 160	

GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
<b>ENERGY (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	112-115	
103-3	Evaluation of the management approach	112-115	
302-1	Energy consumption within the organization	146-147	
302-3	Energy intensity	112; 146	
<b>WATER (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	116-117	
103-3	Evaluation of the management approach	116-117	
303-1	Water withdrawal by source	149	
303-3	Water recycled and reused	149	
<b>EMISSIONS (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	116-117	
103-3	Evaluation of the management approach	116-117	
305-1	Direct (Scope 1) GHG emissions	147	
305-2	Indirect (Scope 2) GHG emissions	147	
305-3	Emissions intensity	112; 147	
305-7	NOx, SOx and other significant emissions	148	
<b>WASTE AND WASTEWATER MANAGEMENT (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	118-119	
103-3	Evaluation of the management approach	118-119	
306-1	Water discharge by quality and destination	149	
306-2	Waste by type and disposal method	149	
<b>ENVIRONMENTAL COMPLIANCE (2016)</b>			
103-1	Explanation of material aspects and their boundaries	28; 30	
103-2	Management approach and its components	61	
103-3	Evaluation of the management approach	61	
307-1	Fines and sanctions for non-compliance with environmental laws and regulations	61	

GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	139-141	
103-3	Evaluation of the management approach	139-141	
308-1	Percentage of new suppliers that were screened using environmental criteria	139	
<b>GRI 400: SOCIAL SERIES</b>			
<b>EMPLOYMENT (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	124-127	
103-3	Evaluation of the management approach	124-127	
401-1	New employee hires and employee turnover	153-154	
401-3	Parental leave	154-155	
<b>OCCUPATIONAL HEALTH AND SAFETY (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	134-137	
103-3	Evaluation of the management approach	134-137	
403-2	Types of injury, injury rate, occupational diseases rate, lost day rate, absentee rate and work-related fatalities	137; 157-158	
<b>TRAINING AND EDUCATION (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	130-131	
103-3	Evaluation of the management approach	130-131	
404-1	Average hours of training per year per employee by gender and by employee category	156	
<b>DIVERSITY AND EQUAL OPPORTUNITY (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	61; 125-126	
103-3	Evaluation of the management approach	61; 125-126	
405-1	Diversity in the governance body and composition of employees	151-152	
<b>NON-DISCRIMINATION (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	61; 125-126	
103-3	Evaluation of the management approach	61; 125-126	
406-1	Incidents of discrimination and corrective actions taken	126	

GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	61; 127	
103-3	Evaluation of the management approach	61; 127	
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	58; 139	
<b>CHILD LABOUR (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	61; 127	
103-3	Evaluation of the management approach	61; 127	
408-1	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	58; 139	
<b>FORCED OR COMPULSORY LABOUR (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	61; 127	
103-3	Evaluation of the management approach	61; 127	
409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	58; 139	
<b>SUPPLIER SOCIAL ASSESSMENT (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	139	
103-3	Evaluation of the management approach	139	
414-1	New suppliers screened using social criteria	139	
<b>CUSTOMER HEALTH AND SAFETY (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	78-79; 84-89	
103-3	Evaluation of the management approach	78-79; 84-89	
416-2	Incidents of non-compliance relating to customer health and safety	57-58	



GRI STANDARDS	DISCLOSURE	PAGE	OMISSION
<b>LABELLING AND MARKETING (2016)</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	82-83; 94-95	
103-3	Evaluation of the management approach	82-83; 94-95	
417-2	Incidents of non-compliance relating to product and service information and labelling	61	
<b>SOCIOECONOMIC COMPLIANCE (2016)</b>			
103-1	Explanation of material aspects and their boundaries	20; 30	
103-2	Management approach and its components	60-61	
103-3	Evaluation of the management approach	60-61	
419-1	Fines and sanctions for non-compliance with social and economic laws and regulations	61	
<b>GOVERNANCE STRUCTURE AND RISK MANAGEMENT</b>			
103-1	Explanation of material aspects and their boundaries	28; 30	
103-2	Management approach and its components	54-59	
103-3	Evaluation of the management approach	54-59	
<b>SUSTAINABLE INNOVATION</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	84-89	
103-3	Evaluation of the management approach	84-89	
<b>BRAND PROTECTION</b>			
103-1	Explanation of material aspects and their boundaries	29-30	
103-2	Management approach and its components	82-83; 94-97	
103-3	Evaluation of the management approach	82-83; 94-97	

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# INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018

To the Board of Directors of  
Panariagroup Industrie Ceramiche S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Panariagroup Industrie Ceramiche S.p.A. and its subsidiaries (hereinafter "Panariagroup Group" or "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 15, 2019 (hereinafter "NFS").

### Responsibility of the Directors and 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 "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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**Auditor's responsibility**

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Panariagroup Group.
4. Understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Panariagroup Industrie Ceramiche S.p.A. and with the employees of Gres Panaria Portugal S.A. and Florida Tile Inc., and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies and sites, Fiorano Modenese site, Finale Emilia production plant and Teano production plant for Panariagroup Industrie Ceramiche S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

**Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Panariagroup Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Franco Amelio**  
Partner

Milan, Italy  
March 29, 2019

*This report has been translated into the English language solely for the convenience of international readers.*

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