



Stakeholders play a fundamental role in Panariagroup's sustainable growth.

With this document, **Panariagroup wishes to renew its commitment to promoting responsible and transparent communication with its stakeholders,** sharing the measures implemented by the Group to respond to the health emergency caused by the global spread of SARS-CoV-2, as well as the impact of this situation and the outlook for the future.

Panariagroup has managed the health emergency by prioritizing its staff, their health and safety and that of their families. From the outset, the Group has worked to create special committees and to draw up security protocols that set out stricter guarantees than those provided for in the agreements with institutions and social partners, both in the initial lockdown phase and in the subsequent phase.

The need to guarantee continued operations presented a challenge that the Group has faced with commitment and determination through transparent, constant communication, both within the company and externally, the expansion of smart working methods and full readiness to provide its employees with all the tools and equipment necessary for business continuity, conditions that have enabled the Group's staff to carry out their work as efficiently as possible.

Panariagroup has gone beyond what is required by the current scenario and, in line with its principles and values, it has demonstrated continuous solidarity towards its employees. In this spirit, the Group has launched extraordinary initiatives, such as the creation of a Solidarity Fund for the employees most affected by redundancy measures, the organisation of a collection of basic necessities and support for staff with special family needs.

Determined to act and look to the future, the Group has responded to the emergency context with a proactive and courageous approach, focusing on safety, solidarity and timely reorganisation of its operations to ensure business continuity.

(ECUTIVE SUMMARY

1.0 OUR GROUP

AND THE INTERNATIONAL CRISIS

The challenges posed by the global spread of SARS-CoV-2 may well represent **the worst economic and social crisis since the Second World War.** Restrictions adopted by governments on the movement of people, goods and products, as well as containment measures such as the closure of non-essential production factories, have had and continue to have a major impact on the community, individuals and the economy in general.

Panariagroup is a multinational company rooted in Italy. It began to expand abroad back in the early 2000s. The company started this far-sighted internationalization process by making a number of

strategic acquisitions in Portugal and then gained a solid foothold in the USA on the key North American market. Today Panariagroup operates 6 plants (3 in Italy, 2 in Portugal and 1 in the USA) and also controls a company in India to cover the local market. Every year the company produces about 23 million square metres of ceramic tiles, which it distributes to over 10,000 customers in more than 130 countries around the world. Panariagroup employs a total of almost 1,800 people.

Panariagroup, therefore, pays particular attention to international developments and has always based its economic success on ensuring

the economic prosperity of the areas in which it operates, not only in Italy but also abroad, in the Aveiro district in Portugal and in Lawrenceburg in Kentucky, by maintaining employment levels, promoting relations with local communities and creating shared value.

The COVID-19 emergency has proved to be an entirely new and unexpected scenario, which has presented companies with important strategic

choices: from the outset, Panariagroup has sought to provide a timely and concrete response to the emergency, strengthening its resilience model to protect its business plan and the safety of its employees, in line with a policy centred around staff well-being, quality and excellence.



Italy, Portugal and USA

the countries where the Group's production plants are located



Over 1000 employees

of the Group were affected by the virus containment measures adopted in the plants and in the logistics area



Over 200 employees

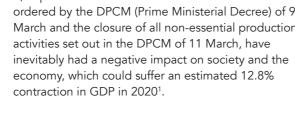
of the Group changed their work practices during the health emergency thanks to smart working

2.0 CONTEXT EMERGENCY

In early July 2020, the World Health Organization reported more than 10 million cases of COVID-19 globally, with varying situations in different geographical areas.

Italy was the first western country to face the Coronavirus epidemic and it remains one of the most severely affected countries. The health

emergency and the measures designed to contain it, in particular the introduction of the lockdown ordered by the DPCM (Prime Ministerial Decree) of 9 March and the closure of all non-essential production activities set out in the DPCM of 11 March, have inevitably had a negative impact on society and the economy, which could suffer an estimated 12.8%





Over 11 million

COVID-19 cases worldwide in early July 2020



USA

The most affected Country in the world in late June 2020, both in terms of the number of cases and deaths from COVID-19



-12.8%

Estimated contraction of GDP in Italy in 2020



Over 30,000

The negative balance of operating Italian companies in the first quarter of 2020²



-8.0%

Estimated contraction of GDP in Portugal in 2020



Almost 70% of Portuguese companies

reported a negative impact on turnover due to COVID-19⁴



-8.0%

Estimated contraction of GDP in the USA in 2020



43% of Americans

have said that their personal income has been significantly impacted⁵

Other countries have constantly monitored the development of the situation, benefiting from both a time advantage and the first results regarding the effectiveness of the measures implemented by the Italian government. Notably, in Portugal the government ordered a lockdown as soon as the country experienced its first cases and has managed to contain the emergency with comparatively less damage than in other countries. Despite the country's effective management of the emergency

situation, it is estimated that Portugal's GDP may contract by 8% in 20203.

Finally, the USA, partly due to initial scepticism about the potential dangers of the virus' spread, currently has the highest number of Coronavirus infections and deaths in the world. In the USA, the spread of COVID-19 is expected to cause a fall in GDP of 8% in

Lockdown start dates



March 2020

9 March

19 March⁶

- 1. 1 IMF, World Economic Outlook Update, June 2020.
 2. Unioncamere InfoCamere, Birth and mortality rate of Italian companies registered with the Chambers of Commerce First quarter 2020, April 2020.
- 3. IMF, World Economic Outlook, April 2020.
- 4. Instituto Nacional de Estatística Banco de Portugal, Inquérito Rápido e Excecional às Empresas COVID-19, 1.ª quinzena de junho, June 2020.
- 5. McKinsey, global survey on the impact of COVID-19 on personal income, May 2020.
- 6. The US federal states have adopted different measures according to the specific context of each area. The above date refers to the first lockdown on US territory (State of

3.0 EMERGENCY MANAGEMENT

Faced with an initially uncertain and highly changeable emergency scenario, the Group has worked from the outset to create an effective and timely model that can provide a concrete and, if possible, preemptive response to the spread of COVID-19.

Panariagroup's model is based on the creation of specific committees responsible for monitoring and managing the crisis, and the drafting of company protocols containing measures to combat and contain the virus.

PANARIAGROUP'S RESPONSE

Creation of special committees and drafting of company protocols for crisis management

The Group's protocols and guidelines are based on those shared by each government to combat and contain the spread of COVID-19 in the workplace.

In drafting these guidelines, the Group has taken additional precautionary measures in order to further protect the health and safety of its staff and Panariagroup's business partners. The protocols contain, among other things, clear regulations regarding:



Management of people entering the company and access procedures for external suppliers



Daily cleaning and regular sanitization of the premises



Personal hygiene precautions



Use of Personal Protective Equipment



Management of communal areas



Management of company organisation (smart working and flexible working hours)



Management of travel, meetings and internal events



Guest management



Health surveillance by the company doctor



Management of symptomatic individuals in the company

3.1 THE MOMENT OF THE LOCKDOWN

In compliance with government lockdown measures, the Group was forced to halt its production activities, first at the end of March in the 3 Italian plants, and then in the first half of April in the 2 Portuguese plants. However, production activities have continued as normal at the Lawrenceburg plant in Kentucky, an area that has suffered a relatively low impact compared to the situation across the USA; in mid-June, the state of Kentucky recorded around 12,000 cases of COVID-19, compared to a total of over 2 million cases in the USA in the same period. The continuation of production activities in America



One of the rollup banner distributed in the Italian facilities of the Group

was also made possible by the inclusion of the company, by the Governor of Kentucky, in the list of operators considered essential for the economy.

As well as complying with government regulations, the decision to suspend production at the European plants followed a series of strict regulations already implemented by the company to protect the health and safety of its employees in the workplace, which has always been a priority for the Group. A great sacrifice and a flexible response, realistically acknowledging an external economic situation that was momentarily stalling.

In conjunction with the suspension of production activities and the consequent initiation of the redundancy fund for many white-collar and blue-collar workers, Panariagroup has been committed to ensuring business continuity by providing, on the one hand, clear and constant communication about the changing circumstances and, on the other hand, by implementing the necessary measures to enable its



Safety First

The Group's commitment to its employees



Halting production

in the Italian and Portuguese production plants



Business continuity

Clear and constant communication and digitalization of work employees to work as smoothly as possible via smart work solutions, a working method that has already been implemented by the American Business Unit for several years.

Iln line with its principles, Panariagroup has always been committed to ensuring transparent company management, communication and information. In this respect, throughout the emergency period and particularly in the early stages, communication has played a fundamental role in maintaining a direct line between the Group and both its internal and external stakeholders

With regard to its employees, Panariagroup immediately organized, prior to the suspension of production activities, a communication system designed to provide useful information on the nature of SARS-CoV-2, to monitor the continuous development of the situation and to ensure clear identification of the current context.

Through e-mails, video content, information on company bulletin boards and information totems, the Group has taken steps to immediately inform all its employees, including with regard to the protocols adopted by the company and updated as required.

The first communications described the precautionary measures implemented by

10

the Group, many of which are stricter than government recommendations and have been implemented as a matter of precaution for the health and safety of its employees, including the suspension of business trips, restrictions on visits by suppliers and customers, support for staff who, due to the suspension of school activities, have special requirements in terms of flexible working hours, and sharing of the recommendations that are periodically provided by each competent national authority.

These initial communications have been followed by further communications more than once a week, which have provided precise information on the work organisation to ensure business continuity; the Group has issued clear instructions regarding the use of past leave, the shift system within departments/offices, the management of communal areas such as changing rooms and bathrooms and the organisation of meetings and direct meetings which must only be held if essential and in compliance with precise time and physical distancing limits.

Similarly, Panariagroup has ensured clear and transparent communication with its external stakeholders, such as suppliers and guests, who have been notified of the company protocols

Timeliness and coverage

Characteristics of the communication system used by the Group



Clippings on the Solidarity Fund

adopted by the company and specific to their case, customers, who have been informed of the company scenario by e-mail, online channels (the Internet and social media) and press releases, and shareholders, for whom Panariagroup has followed the guidelines of Borsa Italiana and CONSOB, making a clear and explicit reference to the current situation and possible repercussions on the business.

While, on the one hand, communication has played a fundamental role in ensuring proper management of both internal and external information flows, on the other hand, Panariagroup has been committed to accelerating the work digitalization process, which has required considerable work on IT systems in order to enable all employees to work without inconvenience.

The Group has extended smart working to all employees who did not previously have this facility and, where necessary, has ensured the presence of at least one "key" figure in each department, in compliance with current regulations. In addition to extending flexible working methods, Panariagroup has provided laptops and Internet access to employees who require them, demonstrating proactivity and timely decision-making, while ensuring efficient business continuity. The Group has also installed, on all devices, applications that enable remote operation and protection of the company's records.

In the firm belief that protecting the safety of its employees also means ensuring that both they and their families have peace of mind,

Panariagroup then decided, in Italy and Portugal

– the countries where the Group has been most severely impacted by the lockdown and where redundancy fund measures have been put in place – to implement an initiative to support the staff most affected by reduced work.

A Solidarity Fund has been created to which all managerial figures have been asked to contribute on a voluntary basis. They have been

3.2 RESTARTING OPERATIONS

given the option to donate a percentage of their salary to employees who have seen their salaries fall due to recourse to the redundancy fund. All the funds raised will be redistributed in the coming months, according to methods that differ between Italy and Portugal, to blue-collar and white-collar workers in proportion to the number of hours within the redundancy scheme.

Panariagroup is proud of the management team's enthusiastic contribution to this concrete solidarity initiative to provide support to colleagues during this challenging time, demonstrating the social responsibility values upheld by the Group's employees on a daily basis.

In Portugal, Panariagroup offered further support to its employees through the creation of a collection of basic necessities, including non-perishable food products and personal and household hygiene products, which were provided to families of employees in particular financial difficulty. All Portuguese employees were able to participate in the initiative, both as donors and as beneficiaries.

In early May 2020, Panariagroup restarted its operations in all its departments, both in Italy and in Portugal.

The production plants, which were previously closed to comply with government lockdown measures, resumed their regular service with reduced production operations, while the logistics and shipping offices, as well as other areas essential to ensure the Group's business continuity, have never stopped operating.

Management of employees' return to offices and production facilities was

conducted in the same spirit as the Group's initial response to the emergency: clarity and proactivity.

Once again, Panariagroup has been committed to developing a system capable of ensuring that work can resume while fully respecting the health and safety of its staff and in particular of individuals identified as most at risk.

To this end, the Group has updated its company protocols and communicated, both internally and externally, the provisions contained therein.



Support for staff

The Group has provided PCs and Internet connections to employees who did not previously have them



Over 40,000 hours

of smart working carried out between March and April 2020 in the Italian Business Unit



Unity and cooperation

In Italy and Portugal, the Group has created a Solidarity Fund to support the most affected employees



12

The strength of cohesion

In Portugal, the Group has created a collection of basic necessities for employees in particular financial difficulty



It should be noted that in drawing up its safety protocols, Panariagroup has gone beyond the provisions of the agreements with institutions and social partners, implementing even stricter and more rigorous protection and guarantee measures.

A first step to ensure the health and safety of its employees was to regulate those entering company premises, both at the offices and at the production plants. To this end, the Group has banned the entry of anyone subject to quarantine

PANARIAgroup

Panaria LEA COTTOD'ESTE Blustyle

Back to creating beauty.



Dear Clien

We are pleased to announce that as of today all of our regular activities have resumed. The situation in Italy is progressively improving and therefore, in full respect of the government regulations, our company may restore all of its business operations.

The manufacturing facilities have already reopened last week, while the logistics and shipping departments were never on hiatus, making it possible for you to continue to choose our products every day.

I would like to thank everyone who made this continuity possible, something which we, as a

With that, we are now entering a new phase in which all of our energy will be invested in developing the best products and services for you, our clients, while ensuring the utmost safety for all of our employees and partners.

Our dedication and commitment to creating beautiful and innovative products will be even more intense.

Meanwhile, we remain at your disposal and thank you for your constant and unwavering support.



measures by the health authorities, anyone who has been informed that they have come into contact with people who have tested positive for COVID-19 and anyone with symptoms directly attributable to the virus. Panariagroup has also put considerable effort into organising various access and exit points at all the production plants and, in agreement with trade union representatives, it has altered the timetable for shift changes to avoid potential crowding. At its offices, Panariagroup has updated its smart working procedures and reorganized its work spaces with Plexiglas barriers, more efficient organization of desks and, where possible, separation of people into different offices. Employees have also been informed about the precautionary measures which they must take in communal areas such as break rooms and toilets.

Organisation of people entering the company has also been regulated and communicated to all suppliers and guests, who, like employees, are required to read the current company protocols. For external supplier access, entry, transit and exit procedures have been identified using predefined methods, routes and timing to reduce contact opportunities with staff working in the departments/offices involved. With regard to guests, the Group has arranged for visits to be limited to those that are strictly necessary.

In addition to reorganizing access and workspace management, in order to guarantee a safe and appropriate environment for the resumption of work, Panariagroup has also reorganized the routine cleaning of all work environments, which has been stepped up and, in the production plants, rescheduled to coincide with shift changes.

The communication sent to Panariagroup customer to inform them of the restarting of operations

Panariagroup relaunches

In early May, the company resumed operations in all its departments, with reduced production operations

Toilet facilities, dining rooms, offices and door handles are cleaned daily by specialist companies. One or more containers of surface disinfectants with disposable paper towels have been placed in each office and employees have been given recommendations regarding the disinfection of their workstations and work equipment, which must be carried out at least twice a day, as well as advice on ventilation in the workplace.

In accordance with national health recommendations, the Group has also taken steps to ensure regular sanitization of the premises, workstations and communal areas, guaranteeing sanitization in both offices and production departments.

From the outset, Panariagroup has been committed to distributing masks, gloves and glasses to its staff on a daily basis, making it mandatory to wear a mask inside the offices, except when an employee is alone in the office, when they are at their workstation with several people and the workstations are more than two metres away from each other and protected by plexiglas barriers and with the air conditioning system turned off, and when they are outdoors more than two meters away from other people. A formal record is kept of equipment delivered to employees

through coordination with department/office heads or, in certain cases, through automatic collection systems with formal registration by reading the personal ID badge. If an employee loses their mask or it breaks, Panariagroup guarantees the supply of a new device. In Portugal, when surgical masks were supplied, employees were trained on correct methods for their use, maintenance and removal.

In the event that someone present in the company premises has symptoms associated with COVID-19, Panariagroup has set out specific steps that must be taken, both internally in the case of employees, and externally in the case of suppliers and guests, in order to immediately implement corrective measures in accordance with the relevant government guidelines.

Should someone present in the offices or production facilities develop fever and respiratory infection symptoms such as coughing, Panariagroup will isolate them according to the provisions of the health authority. The individual will then be promptly removed from the workplace to ensure their colleagues' safety and a safe workplace. If someone present in the company premises has tested positive for COVID-19, the Group commits to working with the health authorities to identify

any close contacts of the person identified as positive. This will allow Panariagroup to implement the appropriate quarantine measures.

Finally, conscious that the COVID-19 emergency is also having a severe psychological impact on people, who, like companies, have found themselves in a completely unprecedented situation, Panariagroup has always maintained a constant dialogue with all its employees focused on supporting and understanding any personal individual and/or family needs. In Portugal, for example, faced with a significant

increase in remote working hours, suggestions and recommendations have been shared on how to ensure proper mental and physical well-being, as well as a list of useful numbers to call if necessary.







One of the signs to inform on safety procedures



Production plants

Reorganization of access and exit points and rescheduling of shift changes



Offices

Updating of smart working methods and reorganisation of workspaces



Risk-free work

The Group ensures daily cleaning and regular sanitization of the workplace



Management of symptomatic individuals

The Group has envisaged specific scenarios to implement protective measures and corrective actions



Support and listening

Panariagroup guarantees a constant dialogue to protect the well-being of its employees

4.0 OUR RESILIENCE AND FUTURE OUTLOOK

The novel Coronavirus emergency has highlighted the fragility of our economic and social system, highlighting the need to promote more resilient development models that are more focused on people's well-being and on creating a stronger sense of community.

Panariagroup has reacted quickly and decisively, supported by a workforce with an innate ability to fight and resist. An ability that stems from almost 50 years of history, which has included both exciting periods and regrettably dramatic

both exciting periods and regrettably dramatic moments (such as the earthquake in Emilia in 2012, another major emergency), all of which have been faced with enormous resilience.

Resilience is the ability to continue in the face of shock and adversity, adapting and transforming in a sustainable way.

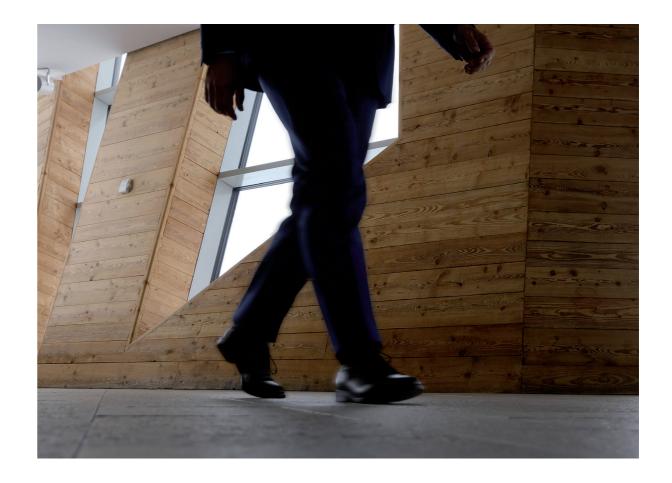
Sustainability that is part of our business model and culture, which, even during the COVID-19 emergency, has led us to prioritize people and business continuity. In other words, social and economic responsibility, attention to our employees, their health and their families.

With the desire to go further, not to simply endure the situation but to face it with courage, making major commitments in terms of safety, solidarity and reorganisation of operations.

We wanted to do more than what was asked of us, implementing special initiatives such as the Solidarity Fund, for which the management team of the Italy and Portugal Business Units joined forces to donate part of their salary to colleagues affected by the redundancy fund.

This has been our way of dealing with this crisis, together with all our employees, whom we thank for the passion, commitment, reliability and dedication to the company that they have continued to demonstrate throughout these difficult months.

Panariagroup increasingly wishes to be the driving force behind a shared development project and will tenaciously pursue this ambition, adapting and responding to constantly changing social, economic and environmental scenarios and continuing to raise its responsibility to new levels.





Panariagroup Industrie Ceramiche S.p.A. Headquarters: Via Cameazzo, 21 41042 Fiorano Modenese (MO) - Italy Tel.: +39 0536 915 211 - Fax: +39 0536 915 221 info@panariagroup.it panariagroup.it