

Press release

PANARIAGROUP PRESENTS ITS FOURTH SUSTAINABILITY REPORT: EXCELLENT RESULTS AND NEW GOALS FOR THE ENVIRONMENT, PEOPLE AND PRODUCTS.

THE GROUP CONTINUES ITS COMMITMENT TO SUSTAINABLE AND ANTIBACTERIAL SPACES THANKS TO INNOVATIVE MATERIALS FOR HEALTHY AND SAFE LIVING.

- **Panariagroup has confirmed its outstanding KPIs in terms of reduced consumption of new natural raw materials, almost total recovery of waste along the production chain, increased eco-friendly packaging, low water impact and reduced emissions.**
- **The Group's commitment to product responsibility is key: investments and expansion of the commercial range of large thin slabs, a highly innovative and sustainable product with Protect® antibacterial technology and eco-friendly certifications;**
- **Concern for staff with 97% of employees hired on permanent contracts and specific initiatives to listen to and involve employees;**
- **A supply chain analysis process has been implemented based on environmental, social and governance criteria**

The responsibility profile regarding the management of the COVID-19 emergency is especially notable, with particularly rigorous safety and prevention measures adopted in the most critical phases and special employee solidarity initiatives.

Panariagroup, a world leader in the production and distribution of high-quality, aesthetically outstanding ceramic surfaces for floors and walls, presents its fourth Sustainability Report for the 2019 financial year, which meticulously summarizes and certifies the company's commitment to economic, environmental and social responsibility.

In 2019 outstanding results were again confirmed for certain important sustainability criteria, combined with new initiatives that have made it possible, in particular, to increase employee involvement and further strengthen green product certifications.

At the core of its business strategies, Panariagroup is increasingly committed to creating products for improved quality of life, confident that investing in sustainability will be central to economic revival, including during this period of profound transformation.

This is an essential commitment, especially 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.

Adopting a pioneering spirit that is well ahead of its competitors, over the years the Group has made important strategic and industrial choices based on a sustainable and responsible approach.

For example, the Group is a technological and commercial leader in the antibacterial products segment: PROTECT® products have provided a health and safety guarantee worldwide for over 10 years.

Panariagroup is the only Italian ceramic company that offers this antibacterial technology as standard on almost all its collections, making it possible to eliminate 99.9% of bacteria from surfaces, in all light conditions

and for the product's entire life. This success is also reflected in sales: in 2019 the Group sold approximately 3,400,000 m² of PROTECT® products worldwide. These surfaces make it possible to bring the benefits of antibacterial technologies to all home environments and beyond. Even public places, such as health environments, restaurants, airports and schools, are spaces where prevention and hygiene are becoming increasingly important priorities.

The PROTECT® line is just one of the cornerstones of the Group's commitment to quality of life and well-being.

Panariagroup was the first ceramic group to heavily invest in ultra-thin slabs, the flagship of the Group's sustainable approach. The manufacturing process to create this product has **a reduced environmental impact (since it is 2/3 less thick than traditional tiles)** and the slabs are suitable for highly sustainable renovation because they can be applied on top of existing coverings, which means there is no impact in terms of waste or demolition pollution.

A notable achievement in this regard is the Group's recent introduction of Kerlite Easy, an innovative dry laying system for installing the ceramic material without adhesive, enabling maximum simplicity, speed and savings in the application of the product, as well as the option of removing it and recovering it for new uses, offering an added benefit in terms of sustainability and circularity.

All the **Group's products are designed according to a green philosophy**, which guides its constant pursuit of innovation, combined with the high sensitivity for environmental and social issues that the company dedicates both to its ceramic collections and to its production processes, aware of the impact of the sector in which it operates and of new consumer sensibilities.

Panariagroup's quality is fully certified. **Its production processes and products have obtained the most important international certifications**, including the most advanced certifications in the field of sustainable architecture, such as the recent Green Guard Gold, which certifies the salubrity of the company's products. As a further testament to the central role that environmental sustainability plays for the Group, all the production plants in Europe, all highly automated and integrated, have achieved the ISO 14001 and EMAS environmental management certifications.

Panariagroup's **countless references around the world** confirm its aesthetic and technical value. In 2019 alone, the products manufactured by Panariagroup and its brands were chosen for the construction, among other projects, of the Generali Group Academy Headquarters in Trieste, the Rearth Inc. Headquarters in South Korea, the Uptown and Green Opificio residences in Milan and chef Heinz Beck's Attimi restaurant. They were also selected for the construction of the Sustainability Pavilion at Expo 2020 in Dubai, which was recently postponed to 2021.

Finally, it is the only company in the sector to have a certified Sustainability Report prepared in accordance with the **GRI Standards** published by the Global Reporting Initiative (GRI) and based on the guidelines of the **United Nations (UN) Global Compact**, an initiative that aims to promote corporate social responsibility by adhering to ten fundamental principles relating to human rights, work, the environment and the fight against corruption.

THE MAIN FINDINGS OF THE 2019 SUSTAINABILITY REPORT

ECONOMIC RESPONSIBILITY

The Group's total revenues in 2019 amounted to 382.1 million euro, an increase (+3.0%) compared to 2018, resuming the growth that was interrupted in 2018.

Panariagroup remains a leading company in the domestic market. The balanced presence of its operations in the various international markets allows the Group to diversify its sales and to pursue a strategy of territorial control, which is one of its main strengths.

EBITDA in 2019 increased by 0.6 million euro, up 2.1%.

The consolidated net operating loss was 4.6 million euro (4.2 million euro in 2018).

Depreciation and amortisation, including that deriving from rights of use and provisions, have increased compared to 2018 by 1.1 million euro, with a significant increase in EBIT.

Innovation remains central to the identity of Panariagroup, which focuses its investments on constant technological modernisation, efficiency improvement and plant upgrading. Overall in the last 5 years the Group has invested 7.8% of its revenues (144.5 million euro), of which 14.6 million euro in 2019.

Rooted in its local area, yet also attentive to international dynamics, the Group – also thanks to its listing on the stock exchange – is aware of its economic responsibility towards shareholders and financial institutions and is constantly committed to achieving **development objectives aimed at guaranteeing an increase in the company's value**, through appropriate reinvestment of profits and an equally appropriate dividend policy to directly remunerate shareholders.

ENVIRONMENTAL RESPONSIBILITY

Total recovery of production waste

The raw materials used in the processes are constantly monitored and in all the Group's plants **production waste is largely reused**, with a consequent significant reduction in the requirement for new natural raw materials. All the production cycles are distinguished by sustainable management of natural resources to reduce environmental impact without damaging the quality of the products.

Emissions reduction and greater energy saving

The Group's **environmental performance** broadly maintained the outstanding levels of the previous year, with further decreases in consumption of natural gas and LPG, confirming the Group's strong focus on monitoring and minimising environmental impact. In particular, energy consumption during the year amounted to **3,157 GJ**, up 1% on the previous year, of which 1,976 GJ from renewable sources. Additionally, the three photovoltaic systems installed in the Italian plants of Finale Emilia, Fiorano Modenese and Sassuolo **avoided the emission of 197 tons of CO₂**, an increase of 3% compared to 2018.

All the production sites in Europe obtained the **ISO 9001, ISO 14001 and EMAS** certifications for their environmental management system. In 2018, Panariagroup also concluded the process of adapting the quality and environmental management systems to the respective new ISO 9001:2015 and ISO 14001:2015 standards.

Low water impact

The Group pays particular attention to its water consumption: 100% of the water used in the production process is entirely reused, reducing consumption of natural water resources by up to 80%.

Furthermore, 2019 saw the completion of an important internal conversion process in the supply of drinking water for employees, with the aim of eliminating water and plastic waste associated with the consumption of disposable bottles.

Careful waste management

Waste is managed with the utmost care and in full compliance with the law: out of a total of approximately 70,694 tons of waste in 2019, more than 94% was recycled and production of hazardous waste was minimal compared to the total (0.34% of the total).

Use of environmentally friendly packaging

In terms of packaging, in the Italian Business Unit **100% of the wood used is renewable** while 79% (up from 72% the previous year) of plastic and 70% of cardboard are recycled. The implementation of **new automatic canning machines has also enabled optimized use of cardboard, resulting in a reduction of up to 50%**.

SOCIAL RESPONSIBILITY

One of Panariagroup's founding values is its **focus on people and quality of life**. The Group therefore always operates with the utmost respect for its employees, local communities and its suppliers.

In 2019, Panariagroup employed a total of **1,781 employees**, up from 1,741 in the previous year, due to the Group acquiring control of Panariagroup India. The Group has been committed for years to maintaining a stable employment level, almost exclusively employing **permanent staff (97%)**, and invests in **continuous training of employees**, 70% of whom are covered by collective bargaining agreements.

The internal initiatives launched in the course of the year included:

- the implementation of various **internal communication** projects to involve the company's employees in sustainability issues and to demonstrate care and attention towards them. The listening activity was particularly notable: achieving a high level of engagement, it aimed to identify the needs of staff, who are considered the Group's primary strategic stakeholders.
- With a view to increasing employee participation in the sustainability values that guide the group, a competition, "**Sustainability Award**", was implemented in 2019 to collect ideas designed to make the company increasingly sustainable.
- health and safety **training activities**, as well as those based on employees' specific needs; the range of activities on offer varies according to the different needs of the areas. In 2019, 17,301 hours of training were provided
- the introduction of an **integrated Quality, Environment, Hygiene and Safety management system** in order to guarantee the protection and safety of its workers, one of the issues considered to be fundamental by both the Group and its stakeholders. In this regard, within the American scope, training of a "Safety Team" is planned for 2020, which will involve workers in safety issues.
- Great attention is paid to the work-life balance, offering activities focused on employees' health and well-being: medical, psychological and physical support and the organization of sports activities.

Inclusion and non-discrimination are two other values that are considered fundamental to the Group's staff management. These are the basis 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. In this regard, it should be noted that in 2019, as in the previous year, the Group did not detect any incidents of discrimination. In the USA, "non-discrimination" and "anti-harassment" policies were adopted.

For Panariagroup, sustainability also encompasses **relations with local communities**. The Group actively contributes to their development and improvement through participation, donations and sponsorships, as well as targeted programmes aimed at improving the socio-economic status of certain areas. Notable examples include the donation of tiles to Italian associations and solidarity activities to support hospitals, associations for the protection of disadvantaged groups and sports associations in the USA. The value of the money and products donated to local communities in 2019 amounted to 241,000 euro.

In line with the goal stated in the 2019 Sustainability Report, **a process has been implemented to analyse the supply chain based on environmental, social and governance criteria**. The various BUs are therefore able to determine the level of potential risk and **strategic importance of the major players in their supply chain**. The process, which is currently being developed, will be completed in 2020.

Finally, it should be noted that the report was completed during the **international health emergency** due to the spread of COVID-19.

Since the start of the emergency, the Group took prompt action to prepare for operational difficulties by implementing measures to protect employees' health and safety, as well as business continuity. This was done with a fully aware and responsible approach in compliance with the provisions issued by the governments and institutions of the countries in which the Group operates.

The health and safety of its employees and their families has always been a priority for Panariagroup, which has gone beyond the standards set by official protocols. At the same time, the Group has always been on hand to assist customers who have been guaranteed **sales support** and deliveries.

As part of the corporate responsibility that the Group has always promoted, in the context of the crisis generated by the global pandemic, an initiative has been launched to support our employees who are most disadvantaged by reduced work activities. A **Solidarity Fund** has been created to which all the managers of the Group's Italian and Portuguese Business Units have been asked to contribute on a voluntary basis. They have been given the option to donate a percentage of their salary to supplement colleagues affected by redundancy measures.

For more information on the Report:

www.panariagroup.it

sustainability@panariagroup.it

PANARIAGROUP

Panariagroup Industrie Ceramiche S.p.A. is an Italian multinational group that is a world leader in the production and distribution of ceramic surfaces for floor and wall coverings. With over 1,700 employees, more than 10,000 customers, 6 production plants (3 in Italy, 2 in Portugal and 1 in the USA) and a turnover of 382 million euro in 2019, Panariagroup is one of the leading players in the high-end and luxury segment of its sector and boasts geographical distribution of sales that is 82% focused on foreign markets.

Specialized in the production of porcelain and laminated stoneware, through its commercial brands (Panaria Ceramica, Lea Ceramiche, Cotto D'Este and Blustyle in Italy, Margres and Love Tiles in Portugal, Florida Tile in the United States and Bellissimo in India), Panariagroup offers high-quality, prestigious solutions for all the needs of residential, commercial and public architecture.

Panariagroup is an international company present in Italy, Portugal, the United States and India. It operates in over 130 countries worldwide with a large and widespread sales network.

web www.panariagroup.it | social: facebook.com/panariagroup ; linkedin.com/company/panariagroup/

Milan, 20th July 2020

Contact: Barabino & Partners
Linda Battini
L.Battini@barabino.it
Tel. 02/72.02.35.35
Fax 02/89.00.519