

2021

sustainability
report

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sustainability
report

Letter to stakeholders

Our sixth edition of the **Sustainability Report** comes at the end of a special and remarkable year. The path out of the COVID-19 pandemic for our economic and social system had a major impact on the trajectory of the company, which managed to relaunch its commercial capability, along with its determination to invest in growth and development.

The decision to take the company off the stock market should be interpreted in this sense, **as the starting point of the owners' desire to guide the Group towards its future path with ever greater willingness and commitment.** Although this exit freed us from reporting obligations, we still wished to report on our activities, goals and results with regard to sustainability, continuing a commitment that remains central to our corporate mission.

Indeed, corporate **responsibility** and **sustainability** are among the cornerstones of this mission. This led to:

- a) continued investment in **thin slabs**, a product that is highly sustainable and in which we have been one of the pioneering ceramic companies;
- b) a renewed commitment to provide **products for healthy and safe environments** with our unique **Protect®** antibacterial technology;
- c) the launch of an ambitious **Sustainability Plan**, which includes a series of important initiatives and goals to achieve in the medium term, covering 3 fronts: **Planet, Prosperity and People.**

People continue to be one of the mainstays of our entrepreneurial work. Starting with the **care and protection of our employees**, as well as with the development of relations with the communities and areas in which we operate. What happened during the Covid emergency severely tested our beliefs and models, as well as the true depth of our responsibility in our approach to business.

Although there are still many uncertainties at a global level, we are emerging from this year with a lot of hard work and **an even stronger awareness that our roots are solid and our vocation for responsibility is strong, allowing us to face the crisis with a sincere and natural priority for people, while safeguarding the continuity of our business. In other words, social and economic responsibility, attention to our employees, their health and their families.**



The emergency has exposed the growing need to promote **development models that are increasingly focused on people's well-being** and on strengthening a sense of community. **Panariagroup** has responded quickly and decisively, leveraging the strength and experience gained from **almost 50 years of history** faced with a great spirit of resilience and with the ability to respond to changes, adapting and evolving with a focus on sustainability. In the meantime, **the company has continued to invest in its own development** with significant industrial and plant interventions, aiming to renew itself and become increasingly better equipped for future challenges. This has been our way of dealing with this phase, together with all our employees, whom we thank for the passion, commitment, reliability and dedication to the company that they have continued to demonstrate even at such difficult times. This is all achieved **with a consistently high level of performance** in environmental terms, as well as stable relations with our employees, which has always been one of our key strengths.

This new edition of the Sustainability Report also illustrates, in an even more incisive way, how we approach our commitment to the **Global Compact and the SDGs established by the United Nations** in order to strengthen our mission as a company that plays a leading role not only economically but also socially and environmentally, while also featuring a wealth of data and information designed to provide an in-depth representation of our daily work.

Panariagroup increasingly wishes to be the **driving force behind a shared development project**: we will tenaciously pursue this ambition, adapting and responding to constantly changing scenarios and continuing to raise our responsibility to new levels.

Emilio Mussini
President of Panariagroup

A handwritten signature in black ink, reading "Emilio Mussini". The signature is written in a cursive style with a large, stylized initial "E".

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Support for innovation

We have invested around **109 million euros** in innovation over the last 5 years



Low water impact

Water consumption intensity **0.02 m³ per m² of tiles**



Close relationship with the local areas

Approximately the 90% of our expenditure is made on **local suppliers**.



Human resources

97% of our employees have a **permanent contract**



Attention to waste and water consumption

We recovered more than **70,000 tons of production waste** and **430,000 m³ of water**

our commitment



Eco-friendly packaging

We bought more than **870 tons of recycled plastic for industrial use***



Waste management

98% of waste recovered along the production chain.



Energy saving

Our energy **consumption index is 0.141 GJ for m² of tiles.**



Emission reduction¹

9 tCO₂e for 1,000 m² of tiles, 129 tCO₂ avoided over the course of the year

The Group avoided emitting a quantity of CO₂ into the atmosphere equal to the absorption of almost 4,000 trees



Products for quality of life

In 2021 we offered our Clients a wide range of **eco-friendly ceramic slabs** (47 collections) and **antibacterial surfaces** (81 collections)

1. In 2021, through photovoltaic systems installed at the Fiorano Modenese, Finale Emilia and Sassuolo plants, the Group avoided 129 tCO₂, calculated based on gross country electricity generation using location-based methodology, a figure that is down from 2020. In order to calculate the equivalent number of trees, the potential absorption of a tree (such as a tall tree species) was considered to be between 20 and 50 kgCO₂/year (Source: www.reteclima.it).

* The figure only refers to the Italian Business Unit. An evaluation is under way for implementation in the U.S. Business Unit as well.

2021 highlights

economic

MILLION EUROS
EBITDA

37.5 > 2020

41.8 > 2021

MILLION EUROS
NET RESULT

(5.8) > 2020

3.2 > 2021

environmental

ENERGY INTENSITY³

GJ/m²
0.140 > 2020

0.141 > 2021

EMISSIONS INTENSITY³
SCOPE 1 + SCOPE 2
(LOCATION-BASED)

tCO₂/m²
0.009 > 2020

0.009 > 2021

social

EMPLOYEES

n.
1,724 > 2020

1,690 > 2021

PERMANENT
EMPLOYEES

%
97 > 2020

97 > 2021

2. Net of leasing liabilities.

3. The intensity values are calculated based on the m² of tiles produced during the year, which amounted to 24,365,161 m² in 2021 and to 20,179,156 m² in 2020.

4. The data relating to the Health and Safety of contractors only include the category of staff leasing workers and not other types of external staff who work at the Panariagroup Group's sites and/or under the Panariagroup Group's control, in view of their significance and of the availability of this data over which Panariagroup does not exercise direct control.

ights

MILLION EUROS
NET FINANCIAL
POSITION²

87.6 > 2020
100.4 > 2021

MILLION EUROS
NET WORKING CAPITAL

109.2 > 2020
105.9 > 2021

MILLION EUROS
INVESTMENTS

19.4 > 2020
21.8 > 2021

EMISSIONS INTENSITY³
SCOPE 1 + SCOPE 2
(MARKET-BASED)

tCO₂/m²
0.009 > 2020
0.010 > 2021

WASTE SENT FOR
RECYCLING

%
98 > 2020
98 > 2021

RAW WASTE RECYCLED
IN THE PRODUCTION
PROCESS

%
100 > 2020
100 > 2021

EMPLOYEES COVERED
BY COLLECTIVE
BARGAINING
AGREEMENTS

%
71 > 2020
71 > 2021

RECORDABLE
WORKPLACE
INJURY RATE –
EMPLOYEES

23.8 > 2020
26.9 > 2021

RECORDABLE
WORKPLACE
INJURY RATE –
CONTRACTORS⁴

77.0 > 2020
47.8 > 2021



sustainability
for
Panariagroup

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

This belief has been central to our mission for years: to grow and to create well-being in harmony with people and the environment, with great willingness, passion and love for our work. To achieve this ambition, we want to generate sustainable value for our shareholders, employees and business partners while respecting the environment and society, to continue to invest in research and innovation, and to meet the aesthetic requirements and well-being expectations of our customers by offering products that comply with the highest quality standards and respond to new market demands.

in evidence

Our commitment to People and the Planet



We have aligned ourselves with the 2030 Agenda for Sustainable Development, identifying the most significant SDGs in relation to the impact we generate on the local area.

Together for a sustainable global economy



United Nations
Global Compact

We are the only Italian company in the ceramic industry to have voluntarily joined the *UN Global Compact* and we have been promoting its 10 fundamental principles since 2018.

Transparency towards our stakeholders



We report our sustainability performance annually, in accordance with GRI Standards, offering transparent disclosure to all our stakeholders and subject to limited assurance by a third party.



Note on methodology

This document constitutes the Sustainability Report of the Panariagroup Group (hereinafter also “Panariagroup” or “Group”).

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 the Group, with reference to the 2021 financial year (from 1 January to 31 December).

The selection of the aspects and indicators used to define the content being reported was carried out through a materiality analysis that considers the issues relevant to the Group and its stakeholders. In 2021, this analysis was updated with the involvement of financial institutions, as stakeholders, and of the Group’s Top Management. For details on the conducted activities, please refer to the “Materiality Analysis” section of this document.

The Panariagroup Group’s 2021 Sustainability Report has been **prepared in accordance with the “Global Reporting Initiative Sustainability Reporting Standards”** set out by the GRI - Global Reporting Initiative, according to the “In accordance - Core” option.

The scope of reporting of data and economic-financial information corresponds to that of Panariagroup Industrie Ceramiche S.p.A.’s consolidated financial statement as at 31 December 2021. With regard to qualitative information and quantitative data relating to human resources, including health and safety in the occupational aspects, companies using the full consolidation method in the consolidated financial statement are included in the reporting scope⁵. With regard to qualitative information and quantitative data relating to environmental aspects and other social aspects, the Group companies that manage production sites are included and, limited to the other social aspects, Panariagroup India Industrie Ceramiche Pvt Ltd, while the companies with only commercial offices and Montanari Ceramiche S.r.l., a ceramic retail outlet, are excluded, as they are not considered relevant to ensuring understanding of the Group’s business activity and its impact.

Panariagroup oversees sustainability issues through policies and actions aimed at ensuring their monitoring and management.

5. In 2021, as in 2020, all Group companies are consolidated using the full method.

With regard to changes in the Group's size and scope of consolidation, it should be noted that, during 2021, **active operations began at Gres Panaria Central Europe GmbH**, a company based in Hamburg (Germany), with 4 employees as at 31 December 2021 that promotes the Group's products on the German, Austrian and Swiss markets.

There were no significant changes in the Group's ownership structure and supply chain. 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. In order 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.

Starting from the issues considered relevant, in line with previous years, an evaluation was made of the risks associated with sustainability issues connected to the Group's business, which relate in particular to the following aspects: management of climate change and environmental risks, as well as risks linked to respect for human rights, occupational health and safety, and active and passive corruption. For more details, please refer to the "Sustainability Risk Management" section.

The Group oversees sustainability issues through policies and actions aimed at ensuring their monitoring and management. The Group 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. Besides this, activities and goals are defined for energy efficiency and for the reduction of the use of raw materials and, in general, of environmental impact in the production cycles. For more details, please refer to the "Environmental Responsibility" chapter of this document.

The Group recognizes the intrinsic value of each person and constantly works to ensure their well-being and consideration, through decentralized management based on the Group's operational hubs, of issues relating to human resources management. Particular attention is paid to aspects relating to occupational health and safety, for which the Group has implemented an integrated Quality, Environment, Hygiene and Safety management system aimed at ensuring the protection of its workers through continuous monitoring of the main indicators, protection of employee well-being and professional development. For more details, please refer to the "Social Responsibility" chapter of this document.

The Group also ensures the protection of human and workers' rights throughout the value chain. To this end, back in 2018 the Group adopted its own Code of Ethics and Code of Business Conduct for suppliers, through which it defined the principles and values underpinning its daily operations and the entire value chain. With a view to ever-increasing control of its supply chain, in 2019 the Group embarked on a process to integrate ESG (Environmental, Social and Governance) criteria into the supplier selection and evaluation process, which achieved its initial results in 2020 and 2021.

In terms of anti-corruption, ethics and business integrity, the Parent Company Panariagroup Industrie Ceramiche S.p.A. adopted the 231/01 Management and Organisation Model in 2009, which is constantly updated, and it has **extended the role of the Supervisory Body of the Italian Parent Company to the companies in foreign markets**. For more details, please refer to the “Integrity and Compliance” section of this document.

The process of integrating sustainability issues within the Group’s value chain continued in 2021 **with the formalisation of the first Panariagroup Sustainability Plan**, through which the Group made **a concrete commitment to achieving ambitious goals** in the medium term. For more details, please refer to the “Our Sustainability Plan” section of this document.

Panariagroup’s 2021 Sustainability Report was approved by the Board of Directors of Panariagroup Industrie Ceramiche S.p.A. on 29th of April. Deloitte & Touche SpA undertook a voluntary limited examination (“limited assurance engagement” according to the criteria of ISAE 3000 Revised) of the document, according to the procedures indicated in the Independent Auditor’s Report included in this document.

For information on the Sustainability Report, please contact: sustainability@panariagroup.it.





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

Even in the face of **the COVID-19 emergency**, Panariagroup successfully managed this unique situation by implementing an approach that confirmed its corporate Responsibility profile.

The company 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 one.



The need to guarantee continued operations presented a challenge that the Group has faced with commitment and determination through transparent and 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 in order to ensure business continuity.

However, the company has also continued its work on sustainability issues on various fronts and with different stakeholder categories, first and foremost employees, with whom, in all business units, it has conducted significant communication and liaison activities.

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.



Sustainable development goals: Panariagroup's contribution

The **Sustainable Development Goals** – SDGs – are a set of **17 goals defined within the United Nations with the aim of guiding Countries and organizations around the world on a path towards reducing inequality, promoting economic prosperity and social development, and protecting the environment**. Each goal includes 169 specific targets and together they make up the core elements of the 2030 Agenda for Sustainable Development.

In order to confirm its commitment to promoting a business model that integrates economic, social and environmental responsibility in all the Group's aspects and activities, in 2021 **Panariagroup formalised its first Sustainability Plan**, identifying a set of goals, structured around different "pillars" (People, Planet and Prosperity), to be achieved in the medium to long term. The goals to which the Group has made a concrete commitment have been defined in consideration of the sustainable development guidelines recognised internationally by the 2030 Agenda and they represent a tangible and measurable commitment that the Group makes to all its stakeholders. For more details on the Panariagroup Sustainability Plan, please refer to the following section.

In view of its own scope of action, Panariagroup identified the most significant SDGs in relation to its impacts on the local area and it correlated these Goals to its own material issues in order to make the existing link between sustainable development and corporate action more explicit. These SDGs constitute the guideline with which the Sustainability Plan was formalised, which necessarily takes into consideration what is set out in the UN framework.

This activity has also been conducted in consideration of the "Linking the SDGs and the GRI Standards" document, a guide updated in September 2020 by the Global Reporting Initiative, which supports organizations in correlating the targets of each of the 17 SDGs with GRI Standards disclosures.

Panariagroup sustainable goals are defined by taking into account the internationally recognized guidelines of the Agenda 2030 and the 17 SDGs - Sustainable Development Goals.

SDGs	target SDGs
 <p>Ensure healthy lives and promote well-being for everyone at all ages</p>	<p>3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for everyone.</p>
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for everyone</p>	<p>4.4: By 2030, substantially increase the number of young people and adults who have relevant skills, including technical and vocational ones, for employment, decent jobs and entrepreneurship.</p>
 <p>Ensure availability and sustainable management of water and sanitation for everyone</p>	<p>6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>
 <p>Ensure access to affordable, reliable, sustainable and modern energy systems for everyone</p>	<p>7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>7.3: By 2030, double the global rate of improvement in energy efficiency.</p>
 <p>Promote a sustained, inclusive and sustainable economic growth, full and productive employment and decent work for everyone</p>	<p>8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.</p> <p>8.4: Improve progressively, through 2030, global resource efficiency in consumption and production, and endeavour to decouple economic growth from environmental degradation in accordance with the 10-year Framework of programs on sustainable consumption and production with developed Countries taking the lead.</p> <p>8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal remuneration for work of equal value.</p>
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for everyone.</p> <p>9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective abilities.</p>
 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<p>11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>
 <p>Ensure sustainable consumption and production patterns</p>	<p>12.2: By 2030, achieve sustainable management and efficient use of natural resources.</p> <p>12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.</p>
 <p>Take urgent action to combat climate change and its impacts</p>	<p>13.1: Strengthen resilience and adaptive ability to climate related hazards and natural disasters in all Countries.</p>

Although not included within the SDGs identified as most significant, Panariagroup also considers Goal 16, “Promote peaceful and inclusive societies for sustainable development, provide access to justice for everyone and build effective, accountable and inclusive institutions at all levels”, a priority. This is because of the importance of this Goal for the private sector: Panariagroup is conscious that it plays an important role in promoting the principles of ethics and transparency by incorporating them into its business model and conducting constant monitoring of its supply chain, while promoting lawfulness in the Countries where it operates.

For the correlation of the SDGs with the Group’s material issues, please refer to the “Materiality Analysis” section in this chapter.

sustainability
plan

sustainability is part
of our DNA



The inception of the Sustainability Plan

In 2021, we formalised our first Sustainability Plan, which was strongly supported by the company and was the result of the excellent work of all the people at Panariagroup who took part in this ambitious project.

The Plan, which will be disclosed in the coming months, is consistent with our sustainability path, which, over the years, has led us to develop a strong sensitivity and awareness concerning issues related to corporate responsibility models.

Panariagroup for People, the Planet and Prosperity

Drawing on the principles of the United Nations and the sustainable development guidelines set out in the 2030 Agenda, the Sustainability Plan consists of three “pillars”: **People, Planet and Prosperity**. Each of these expresses our ambitions and the model we want to adopt in order to achieve goals beyond the ordinary.



People, the pillar devoted to our employees, protecting their health and well-being, valuing their talents and increasing their satisfaction.



Planet, the pillar dedicated to our manufacturing operations, through which we strive to reduce our environmental impact and safeguard the Planet’s resources.



Prosperity, the pillar devoted to our idea of sustainable development, involving customers, suppliers and internal sustainable innovation processes.

OUR COMMITMENT TO PEOPLE, PLANET AND PROSPERITY



Panariagroup for People

- Promote health and safety protection and minimise occupational accidents.
- Value the talent and special features of our employees.
- Achieve the highest levels of satisfaction for our employees, promoting their physical and mental well-being.



Panariagroup for the Planet

- Promote a culture focused on protecting water resources by increasing efficiency and reducing water use in production processes.
- Optimise energy consumption and increase clean energy production.
- Reduce direct and indirect emission impacts while developing awareness of the impact of climate change.
- Exploit production waste and reduce the environmental impact of our packaging.



Panariagroup for Prosperity

- Be a benchmark in the industry for innovation, developing new solutions with sustainable features and promoting responsible production models.
- Promote sustainability values and principles along the supply chain.
- Ensure full customer satisfaction.
- Promote sustainable urban development.
- Invest in young talent.
- Preserve economic sustainability.



1/4

Participation in the *UN Global Compact*

To date, of the around 20,000 signatories to the *UN Global Compact* worldwide, **Panariagroup is the only company in the ceramics industry, in Italy, to have voluntarily joined the initiative**, and since the 2018 Sustainability Report it has been reporting annually on **the activities carried out to promote its 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. Panariagroup, by participating in the UN Global Compact, embraces these fundamental principles and welcomes international discussion of crucial issues, confirming its relevance with respect to its development policies.



United Nations
Global Compact

Scope	Global Compact Principles	Global Compact Requirements	Panariagroup Reference
		Statement of continued support by the chief executive officer (CEO)	Letter to Stakeholders (p. 4)
Human Rights	1. Promotion and respect of universally recognized human rights in their respective spheres of influence	Assessments, policies, goals and initiatives implemented	Risk of Human Rights violations (p. 62-63)
	2. Guarantee of not being, directly or indirectly, complicit in violations of human rights		Introduction of a Code of Ethics and of a Code of Business Conduct for the Group (p. 66-67)
		Performance indicators	GRI 102-16 (p. 66-67) GRI 414-1 (p. 154-155)

Scope	Global Compact Principles	Global Compact Requirements	Panariagroup Reference
Work	3. Support for workers' freedom of association and recognition of the right to collective bargaining agreements	Assessments, policies, goals and initiatives implemented	Introduction of a Code of Ethics and of a Code of Business Conduct for the Group (p. 66-67) Initiatives described in the "Social Responsibility" chapter (p. 140-157)
	4. Elimination of all the forms of forced and compulsory labour		
	5. Effective abolition of child labour	Performance indicators	GRI 102-8 (p. 168-169) GRI 102-41 (p. 143; 178) GRI 202-1 (p. 179) GRI 202-2 (p. 178) GRI 401-1 (p. 172-173) GRI 401-3 (p. 174-175) GRI 404-1 (p. 145; 178) GRI 405-1 (p. 170-171) GRI 406-1 (p. 141-142)
	6. Elimination of all the forms of discrimination in employment and professional occupation		
Environment	7. . Support for the preventive approach to environmental challenges	Assessments, policies, goals and initiatives implemented	Environmental risk (p. 60-62) Adoption of an integrated quality, environment and health and safety system and of ISO 14001 and EMAS certified management systems (p. 124-125) Initiatives described in the "Environmental Responsibility" chapter (p. 116-135)
	8. Development of initiatives that promote greater environmental responsibility		
	9. Incentivisation of the development and dissemination of technologies that respect the environment	Performance indicators	GRI 301-1 (p. 180) GRI 302-1 (p. 126-128; 160) GRI 302-3 (p. 8-9; 126; 167) GRI 303-3 (p. 163) GRI 303-4 (p. 164) GRI 305-1 (p. 128-129; 161) GRI 305-2 (p. 128-129; 161) GRI 305-4 (p. 8-9; 126; 167) GRI 305-7 (p. 161) GRI 306-3 (p. 132-133; 165-166) GRI 307-1 (p. 67) GRI 308-1 (p. 154) GRI 414-1 (p. 154)
Fight against corruption	10. Commitment to fighting corruption in all its forms, including extortion and bribery	Assessments, policies, goals and initiatives implemented	Risk of active and passive corruption (p. 64) Adoption of the 231/01 Organization and Management Model and its extensions in foreign companies (p. 66) Introduction of a Code of Ethics and of a Code of Business Conduct for the Group (p. 66-67)
		Performance indicators	GRI 102-16 (p. 66-67) GRI 205-3 (p. 66)

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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 goals.

In its Sustainability Report, Panariagroup has identified the individuals or groups of individuals who have a relationship with the Group 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.

our stakeholders

**Shareholders, financiers
and investors**

Consumers

Public institutions

**Customers
(distributors)**

**Employees and
trade unions**

Suppliers

**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 foster active and continuing relations through various methods involving the different corporate functions.

In recent years, for example, **the Group decided to step up its listening activities, involving its employees through the completion of a questionnaire and in the participation in specific focus group sessions** in order to identify opportunities for improving working life within the company and sustainability aspects.

In the early months of 2022, as part of the periodic update of the materiality analysis, the Group also involved the financial institutions with which it deals on a daily basis, surveying their needs and expectations in relation to sustainability issues and examining the existing relationship between credit processes and ESG aspects.

Through these initiatives, **Panariagroup is constantly renewing its commitment to its stakeholders**, in the belief that, by listening to them, we can build a better working environment together and, at the same time, help the company to make the best strategic decisions.

Despite the challenging scenario connected to the spread of COVID-19, Panariagroup has continued to pursue its dialogue with all its stakeholders, continuing to engage with them in promoting responsible and transparent communication in order to enhance intangible capital made up of people, relationships and ideas. 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.



stakeholder	methods
Shareholders, lenders and investors	<ul style="list-style-type: none"> • Shareholders' Meeting • Publication on the Group's website of all financial and non-financial information required by current regulations • Daily contact related to operations and specific meetings with the Group's lenders • Communication activities through media of the corporate results and key initiatives
Consumers	<ul style="list-style-type: none"> • Commercial relations in the Group's shops • Presence at events (e.g. Milan Design Week) • External communication (website, social media, digital campaigns, press releases) • Online consulting
Public institutions	<ul style="list-style-type: none"> • Participation in data collection through surveys for statistical purposes • Compliance with the documentary requirements of national and local legislation • Constant collaboration with the institutions responsible for issuing authorizations and environmental certifications
Customers (distributors)	<ul style="list-style-type: none"> • Daily report from the Group's commercial offices • Participation in the main trade fairs • Visits organized at the Group's offices • Newsletter and direct communication • Webinars and online presentations
Employees and trade unions	<ul style="list-style-type: none"> • Newsletters for employees • Notice boards and signage stands at the plants and sites • Training activities and regular refresher activities for employees • Regular meetings with employees' representatives • Periodic management meeting to update managers • Communication through HR Portal
Suppliers	<ul style="list-style-type: none"> • Activities to select suppliers and to evaluate performance in terms of quality, sustainability and cost of the service • Regular meetings and audits of suppliers carried out by the Group's Purchasing Department • ESG Risk Analysis on suppliers in Italy and Portugal
Representative/trade associations	<ul style="list-style-type: none"> • Membership of Confindustria Ceramica (Italy) and APICER (Portugal) and participation in the relevant technical committees on environment and safety • Membership of the US Green Building Council • Participation as an ordinary member in Green Building Council Italia • Participation as an associate member of ASSOPOSA (National association of ceramic tile layers and installers)
Local communities	<ul style="list-style-type: none"> • Sponsorship and donation of contributions aimed at the socio-economic development of the areas in which the Group operates
Developers, architects and interior designers	<ul style="list-style-type: none"> • Presence of a function dedicated to building a structured and continuous relationship with developers, architects and interior designers • Technical seminars organized at external sites for compulsory training (training credits) • Seminars in the Group's showrooms with the participation of experts • Participation in fairs and events aimed at the target audience • Visits organized at the Group's offices • Newsletter and direct communication • Webinars and online presentations

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Materiality analysis

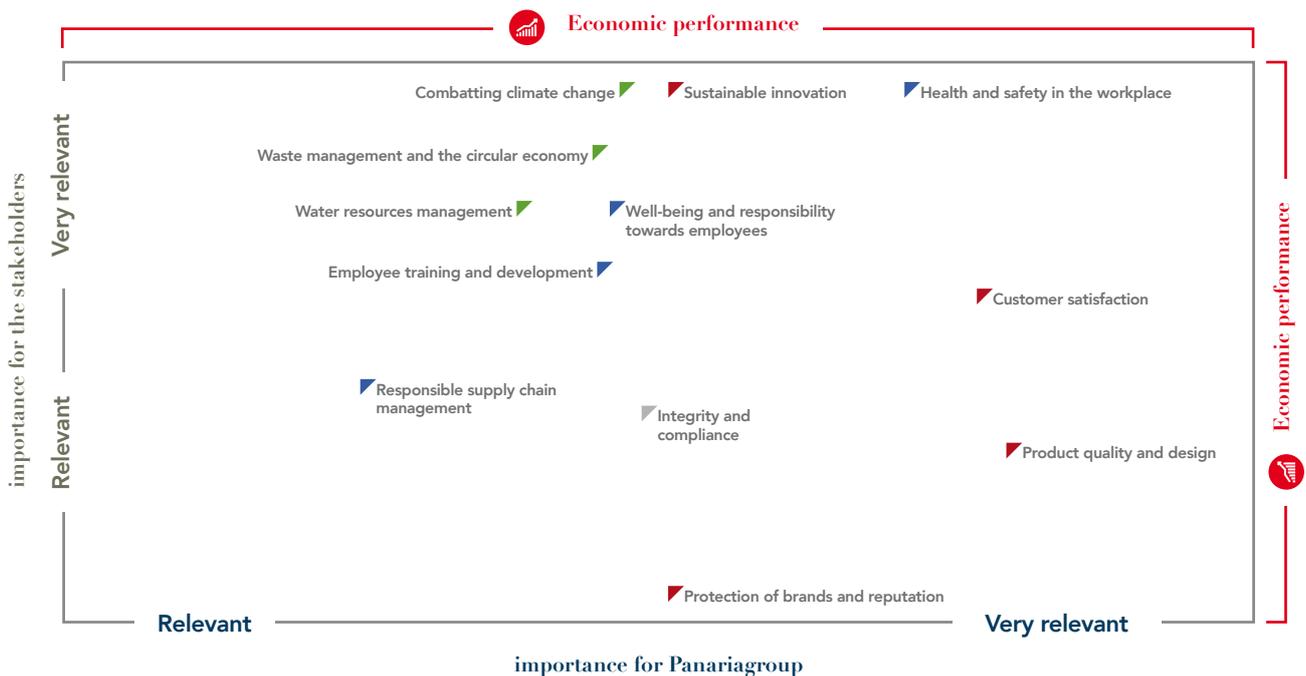
In 2021, in light of the periodic updating of the shortlist of materiality issues subject to reporting, the Group decided to renew its materiality analysis through direct involvement of financial institutions, as Group stakeholders, and Panariagroup Top Management.

In accordance with the GRI Sustainability Reporting Standards, Panariagroup carried out this analysis with the aim of updating the relevance of priority sustainability issues for the Group and its stakeholders. As such, the analysis was conducted in order to identify the aspects which reflect the significant economic, environmental and social aspects for the organization and which have a major influence on stakeholder evaluations and decisions.

The map of the relevant issues identified in previous years was confirmed and re-evaluated by the Group's Top Management and its stakeholders through the sharing of an online survey, in which participants were first asked to attribute a relevance score from 1 to 5 for each issue, and then to evaluate the 5 sustainability issues considered most relevant, i.e. on which Panariagroup should focus its sustainability strategy, and the 5 least relevant ones, taking into consideration their knowledge of the Group's context and business. This activity involved more than 20 financial institutions in Italy, Portugal, the U.S. and India, and Panariagroup's Top Management with 13 participants. The results that emerged from the activities described above have been aggregated with the results that emerged in previous years and incorporated into the 2021 materiality matrix.

2021 materiality matrix

- Legend
- Environmental responsibility
 - Product responsibility
 - Social responsibility
 - Governance e compliance



In line with the analyses conducted in past years, the materiality matrix confirms the central importance, for both the Group and its stakeholders, of **Health and Occupational Safety, Sustainable Innovation and Customer Satisfaction**. Although the issues **“Product Quality and Design”** was considered slightly less relevant by stakeholders, **it remains a fundamental cornerstone of the Group’s business model**. It should also be noted that the issue **“Combating Climate Change”** has become **significantly more relevant** to stakeholders due to an increasing awareness of climate challenges and the need to develop activities geared towards a low-carbon economy. Finally, the issue **“Economic Performance”** has been symbolically placed outside the materiality matrix, as it is considered an essential element and prerequisite for the proper management of all sustainability issues and the Group’s activities in general.

These issues relate to aspects of primary importance that are fully consolidated in the corporate operations and they recall the strategy implemented thus far by the Group, which has invested heavily in these areas. With regard to the issues considered material for the Group and its stakeholders published in the 2020 edition of the Sustainability Report, it should be noted that the issues **“Energy Resources and Emissions Management”** and **“Waste and Wastewater Management”** have been changed to **“Combating Climate Change”** and **“Waste Management and Circular Economy”**, respectively.

Below is a breakdown of the issues that emerged as material and the correlation with the most significant SDGs identified by the Group in terms of impact on the local area:

material issues	description	relevant SDGs
Product quality and design	Adoption of certifications, procedures and systems to ensure the highest product quality standards and continuous design innovation, in order to respond in an increasingly comprehensive and effective way to the different needs and demands of the market. Extension of BIM (Building Information Modelling) to all products offered by the Group.	 
Economic performance	Responsible management of the Group’s economic and financial resources in order to ensure the resilience, stability and continuity of business operations with the aim of creating value in the short, medium and long term for all stakeholders.	 
Occupational health and safety	Use of management systems related to the occupational Health and Safety of workers. Regular interventions and investments to minimise the risk of accidents within the plants and to ensure an adequate and comfortable workplace. Constant monitoring of accident rates and development of training and awareness-raising initiatives to consolidate a culture of accident prevention, monitoring and management.	  
Sustainable innovation	Development of activities and policies aimed at enhancing the innovative and sustainable features of the products offered by the Group. Increased research and development activities in order to ensure the continuous improvement of processes and products, with a focus on the reduction of environmental impact and new market requirements.	   

material issues	description	relevant SDGs
Customer satisfaction	Business management with the aim of ensuring full Customer satisfaction. Adoption of systems and procedures to monitor satisfaction and any complaints related to health and safety issues, labelling, product information and marketing activities.	   
Well-being and responsibility towards employees	Adoption of staff management policies and development of activities in order 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.	
Employee training and development	Strengthening of employees' technical, managerial and organisational skills through the adoption of multi-year training plans and the definition of career, development and professional growth paths. Staff incentive policies and systems and talent attraction.	 
Combating climate change	Adoption of policies to efficiently monitor and manage energy consumption and emissions, including with a view to climate change mitigation and adaptation. Minimisation of the direct impact produced by corporate activities by increasing the share of self-produced electricity from renewable sources, reducing energy intensity and emission indices and developing "carbon neutrality" plans.	    
Water resources management	Adoption of policies for monitoring and efficient management of water resources, including in relation to water-stressed areas. Implementation and use of water recovery and reuse systems in production cycles. Development of initiatives and activities with the goal of increasingly reducing water consumption and requirements for corporate activities.	 
Integrity and compliance	Conducting business activities in line with the principles of ethics, integrity and transparency, in compliance with applicable laws and any specific regulations. Adherence to national and international principles and guidelines that include areas of social and environmental responsibility. A commitment by the Group to combat active and passive corruption through implementation of policies, procedures and mechanisms for reporting potential irregularities or illegal behaviour and training activities on specific regulations (e.g. monopoly, anti-competitive behaviour, anti-money laundering). Adherence to national and international principles and guidelines that include areas of social and environmental responsibility.	
Protection of Brands and reputation	Adoption of multi-brand commercial strategies that enhance the distinctiveness of the Group's Brands on the market and that comprehensively meet the needs of a diversified Customer base.	  
Waste management and circular economy	Responsible management of hazardous and non-hazardous waste related to the Group's business activities and promotion of conscious management methods and practices, such as: overall reduction of waste, with particular reference to plastic waste, adoption of sorting and recycling models, and total recovery of raw and cooked waste from production.	  
Responsible supply chain management	Promotion of transparency with the Group's business partners and adoption of environmentally responsible procurement practices (including a focus on suppliers of raw materials that carry out activities and processing with a high environmental impact on their local areas), social issues and respect for human rights. Implementation of strategic supplier evaluation and monitoring systems based on social and environmental criteria, as well as on the quality of their services and products.	 

As required by GRI reporting standards, the table below shows the scope of the impact of each material issue. The aim is to understand which plants, areas or entities within Panariagroup have the greatest impact in terms of the material issues identified in the materiality matrix.

material issues	reconciliation with GRI topics	scope of impact	
		Where the impact occurs	Involvement of the Group
Product quality and design	<ul style="list-style-type: none"> GRI 416: Consumer health and safety (2016) GRI 417: Marketing and labeling (2016) 	Group	Caused by the Group
Economic performance	<ul style="list-style-type: none"> GRI 201: Economic Performance (2016) GRI 202: Market presence (2016) GRI 207: Tax (2019) 	Group	Caused by the Group
Occupational health and safety	<ul style="list-style-type: none"> GRI 403: Occupational health and safety (2018) 	Group employees and contractors ⁶	Caused by the Group
Sustainable innovation	<ul style="list-style-type: none"> N/A 	Group	Caused by the Group
Customer satisfaction	<ul style="list-style-type: none"> N/A 	Group	Caused by the Group
Well-being and responsibility towards employees	<ul style="list-style-type: none"> GRI 401: Employment (2016) GRI 405: Diversity and equal opportunity (2016) GRI 406: Non-discrimination (2016) 	Group	Caused by the Group
Employee training and development	<ul style="list-style-type: none"> GRI 404: Training and education (2016) 	Group	Caused by the Group
Combating climate change	<ul style="list-style-type: none"> GRI 302: Energy (2016) GRI 305: Emissions (2016) 	Group and electric and thermal energy suppliers	Caused by the Group and related to the Group through its commercial relations
Water resources management	<ul style="list-style-type: none"> GRI 303: Water and effluents (2018) 	Group	Caused by the Group
Integrity and compliance	<ul style="list-style-type: none"> GRI 205: Anti-corruption (2016) GRI 206: Anti-competitive behaviour (2016) GRI 307: Environmental compliance (2016) GRI 419: Socioeconomic compliance (2016) 	Group	Caused by the Group
Protection of Brands and reputation	<ul style="list-style-type: none"> N/A 	Group	Caused by the Group
Waste management and circular economy	<ul style="list-style-type: none"> GRI 306: Waste (2020) 	Group	Caused by the Group
Responsible supply chain management	<ul style="list-style-type: none"> GRI 204: Procurement practices (2016) GRI 301: Materials (2016) GRI 308: Supplier environmental assessment (2016) GRI 414: Supplier social assessment (2016) 	Group and Suppliers	Caused by the Group and which the Group contributes to

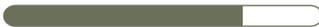
6. The data relating to the Health and Safety of contractors only include the category of staff leasing workers and not other types of external staff who work at the Panariagroup Group's sites and/or under the Panariagroup Group's control, in view of their significance and of the availability of this data over which Panariagroup does not exercise direct control.



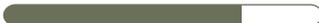
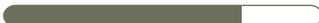
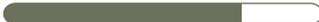
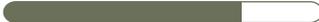
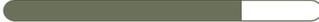
Sustainability goals

Below are the goals declared in the 2020 Sustainability Report, with their relative progress, and the new sustainability goals that the Group defined in 2021 looking ahead to 2022.

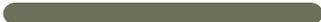
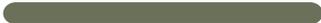
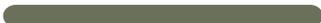
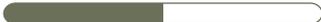
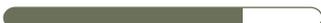
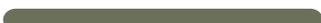
STATED GOALS IN THE 2020 SUSTAINABILITY REPORT

business issues		
goal	target	progress
Industry 4.0: adherence to digitization incentives (art. 3 of Legislative Decree no. 145 of 23 December 2013, as replaced by art. 1, paragraph 35 of the 2015 Stability Law and amended in the 2017 Budget Law)	2018	The goal was partially completed and broken down into multiple goals in 2020 (plant interconnection and CE line certifications), identified below by the designation "Industry 4.0". In 2021, the interconnection process went ahead for the Finale Emilia plant. 
Installation of new plants at the Italian Business Unit, in particular no. 1 sorting line at the Toano plant, no. 1 sorting line and no. 1 drying room at the Fiorano Modenese plant.	2018	The goal has been achieved. 
Installation of a new sprayer in the Finale Emilia (Italy) plant, featuring greater energy efficiency.	2020	The goal has been achieved. 
Industry 4.0: installation of a system of plant supervision and interconnection with the production lines in the plants of Finale Emilia and Toano (Italy), Aveiro and Ílhavo (Portugal).	2020	The goal has been partially achieved: the system is active in the Toano plant, while it is nearing completion for the other plants. 

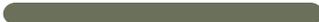
business issues

goal	target	progress
Installation of new load compensators for the kilns in the Fiorano Modenese (Italy) plant, enabling increased filling of the kilns and consequent higher productivity and reduction of electricity and gas consumption.	2020	The goal has been achieved. 
Installation of a new lapping line and of a new packaging line at the Finale Emilia site, enabling the processing and management of large formats (up to 180 cm side).	2021	The goal has been achieved. 
Complete renovation of a production line at the Fiorano Modenese plant through the installation of a new press for forming large-format slabs, a multi-level dryer, a sorting line and a packaging line with an increase in production capacity and optimization of energy consumption.	2021	The goal will be completed in 2022. 
Alteration of the internal structure of the Fiorano Modenese plant with consequent improvement of the logistics and production organization and purchase of new laser-guided systems for the automatic handling of large-format plates, with consequent optimization of the productivity of the internal processing lines (grinding and lapping).	2021	The goal will be completed in 2022. 
Installation of a new pressing, drying and decoration line at the Aveiro plant, with a consequent increase in the production capacity of large-format tiles (up to 120x120 cm) and optimization of energy performance.	2021	The goal will be completed in 2022. 
Reorganization of the layout of the sanding and grinding department at the Ílhavo plant in order to optimize internal logistics and installation of soundproofing systems to improve noise levels.	2021	The goal will be completed in 2022. 
Replacement of a kiln at the Finale Emilia plant with a new plant featuring high production capacity and performance optimization in terms of energy consumption.	2022	The activities to achieve the goal are in line with the deadline. 

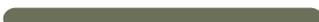
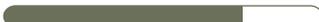
quality and environment

goal	target	progress
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.	2018	The goal has been achieved. 
Partial replacement of fluorescent neon lights and installation of LED and magnetic induction lighting systems in the Ílhavo and Aveiro (Portugal) plants, in order to obtain significant electricity reductions.	2019	The goal has been achieved. 
Launch of the campaign to replace lead-acid batteries with lithium ones, which have a longer life and which are less polluting, for automatic vehicles for handling finished products.	2019	The goal has been achieved. 
Industry 4.0: achievement of CE line certifications in the plants in Finale Emilia and Toano (Italy).	2020	Certifications were obtained for the two lines in the Finale Emilia plant. The remaining activities are being completed. 
Inclusion of hybrid cars in the Italian Business Unit's Car Policy.	2020	The goal has been achieved. 
Replacement of 50% of the Portuguese Business Unit's car fleet with hybrid cars.	2020	Goal temporarily suspended for internal evaluation. 
Optimisation of the filter dust recovery and treatment system in the Fiorano Modenese plant.	2020	The goal will be completed in 2022. 
Further development of activities for the eco-friendly improvement of packaging with the replacement of "white" strapping (made of virgin plastic) with "green" strapping (made of regenerated plastic) in the plants of the Italian Business Unit.	2021	Goal postponed to 2022.
Implementation of dedicated internal logistics software (VMS) aimed at optimizing the management of material handling, resulting in lower fuel consumption and less pollution.	2021	The hardware has been purchased; the implementation phase is ongoing. 
Installation of a continuous seismic monitoring system at the Fiorano plant.	2021	The goal has been achieved. 
Creation of a service model dedicated to active participation in projects related to the 110% Bonus for energy upgrading of Italian real estate.	2021	The goal has been achieved. 

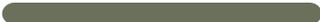
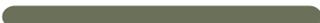
quality and environment

goal	target	progress
Total replacement of fluorescent neon lights with installation of LED and magnetic induction lighting systems at the Lawrenceburg plant (United States), in order to significantly reduce electricity consumption.	2021	The goal has been achieved. 
Request for accreditation on the EcoVadis platform to obtain a sustainability performance evaluation.	2021	Cancelled in favour of other priorities.

human resources

goal	target	progress
Creation of a reward system for employees who distinguish themselves in activities related to sustainability issues, "sustainability award", at the Italian and Portuguese business units.	2021	The goal has been achieved. It is planned to be extended to the U.S. Business Unit. 
Improvement of activities to listen to staff in the Italian Business Unit (e.g. climate analysis, etc.).	2021	The goal has been achieved. It is planned to be extended to the U.S. Business Unit. 
Creation of Scholarships dedicated to the children of employees in the Italian Business Unit.	2020	Goal postponed to 2023.
Free and optional offer of a specialist consultation service (example: posturologist, nutritionist, psychologist) in the Italian and Portuguese Business Units.	2021	Goal postponed to 2022.
Planned investments of €0.5 million for interventions to reduce the risk of manual handling of loads (manipulators, automatic loaders) in the Italian Business Unit.	2021	The goal will be completed in 2022. 
Planned investments of €0.7 million for interventions related to the safety and environmental comfort of employees (soundproofing systems and systems to reduce airborne dust) in the Italian Business Unit.	2021	The goal will be completed in 2022. 
Support for professional and academic training of employees of the Portuguese Business Unit, in collaboration with a specialised external centre.	2021	The goal has been achieved. 
Extension of the skills management and development system, already implemented for the Aveiro (Portugal) site, to the Ilhavo (Portugal) site.	2021	Ongoing activity. 

human resources

goal	target	progress
Development of a healthcare programme with ARC Healthcare (prevention, risk assessment and personal support programme for chronic diseases) in the U.S. Business Unit.	2021	The goal has been achieved. 
Development of training activities through the dedicated learning management system platform in the U.S. Business Unit.	2021	The goal has been achieved. 

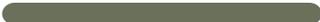
governance

goal	target	progress
Improvement of the access control system at the Italian Business Unit's sites, through installation of dedicated IT supports.	2018	The intervention at the Fiorano Modenese site is scheduled for completion by the end of 2022. 

local community

goal	target	progress
Establishment of a Solidarity Fund for which all employees of the Italian Business Unit are eligible.	2021	Goal temporarily suspended.

customers

goal	target	progress
Development of stakeholder engagement for Customers in the Italian Business Unit.	2020	The goal will be completed in 2022. 
Implementation of the VIS service in the U.S. Business Unit to monitor supply quality in real time and give customers fast and comprehensive feedback, improving the after-sales service.	2021	The goal has been achieved. 

new goals

business issues

2022 Target

Installation at the Finale Emilia site of a new dry-grinding line, equipped with innovative automation in order to improve efficiency and production yields, and of a new sorting line, which can process and handle large formats (up to 180 cm side).

Implementation of new automatic vehicles for the handling of fired material at the Finale Emilia site, required to manage increased production volumes.

Increased large-format slab storage capacity at the Fiorano Modenese site through reorganisation of the semi-finished products warehouse, in order to optimise the processing cycle and customer response speed.

Complete revamping of a kiln at the Fiorano Modenese site through optimisation of the cooling system aimed at reducing the risk of defects in the fired material.

Implementation of a new production line for large formats at the Aveiro plant with the installation of a press, a horizontal dryer, and a glazing line equipped with an innovative digital printer.

Installation, at the Ílhavo plant, of a system for recovering fumes from the kilns during the firing stage inside the sprayer, resulting in energy savings and reduced CO2 emissions.

Optimisation of the sprayer control panel at the Lawrenceburg plant, in order to increase efficiency and reduce energy waste.

Installation of a new transformer and of a distribution board at the Lawrenceburg plant, in order to optimise the efficiency of the entire plant's electricity consumption.

quality and environment

2022 Target

Launch of a process to map the use of recycled plastic material in foreign BUs and subsequent evaluation of dedicated activities and goals.

Study of new solutions, through a dedicated corporate function, for the optimisation of palletisation schemes at production plants and external suppliers, with the aim of reducing the use of wood (Italian BU).

Study for the creation of new photovoltaic infrastructure and restoration of the efficiency of existing photovoltaic systems at Italian BU sites.

Further increase of plug-in hybrids in the car fleet and installation of charging stations.

Further extension of PROTECT technology to most of the products offered in Brand catalogues.

Increased number of Panariagroup products subjected to Life Cycle Assessments (LCAs) and periodic renewal of EPDs (Environmental Product Declarations) of Panariagroup sites.

Gradual expansion of the range of products/application solutions included in BIM (Building Information Modelling)

supply chain

2022 Target

Study for the selection of an integrated supplier evaluation platform, which also takes ESG criteria into consideration and enables the development of a “vendor rating” (Italian BU).

customers

2022 Target

Identification of customer categories against which to measure satisfaction (target).

Increased investment in raising customer and consumer awareness of Sustainability.

human resources

2022 Target

Evaluation of a platform for monitoring skills and training.

Implementation of flexible working tools (e.g. definition of a smart working policy/ model).

Strengthening of the dialogue with local educational institutions (especially Technical Institutes) and implementation of training courses.

Definition of a Group RSPP (Prevention and Protection Service Manager).



2



the Company

We are committed to constant evolution, starting in Italy and opening up to the world, driven by the continuous pursuit of excellence in terms of both quality and cutting-edge technology.

— The chapter's material topics

Integrity and compliance

— Our contribution to the SDGs



in evidence

Our customers

Around 10,000

51% EU

32% U.S.

17% REST OF THE WORLD

Reliability and trust

63%

of our customer relationships have lasted for at least 3 years.

2 /1

Group profile

With around 1,700 employees, a network of around 10,000 Customers⁷, 6 production plants (3 in Italy, 2 in Portugal and 1 in the U.S.) and a turnover of €402 million in 2021 (+13% compared to 2020), **Panariagroup is one of the leading producers of ceramic tiles for floor and wall coverings** and is positioned in the high-end and luxury segment of the market.

6

**Production
plants**

21.8

**Million €
invested**

402

**2021 turnover in
million €**

1,690

Employees

over
24 Million m²
produced

9 Brands

Sales in over
130 Countries



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

2 1/2

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.

2009

After years of successful commercialization of **laminated porcelain stoneware**, a revolutionary, high-performance material, the 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 format monoporosa coverings 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 **Gres 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.

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. In the same year Panariagroup signed **its first agreement with Microban®**, a world leader in antibacterial technologies, for the creation of products for healthy, safe and protected spaces.

2012

The internationalisation process continued thanks to 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. The Group became even more committed to the Indian Business Unit in 2019 with the acquisition of 100% of the company's shares.

2016

The certified sustainability reporting process officially began with the publication of the **first Report** and with the development in subsequent years of initiatives aimed at certain stakeholder categories (starting with employees).

1974 — 1992

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

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, high-end product lines destined to conquer the luxury segment of the market.

2004 — 2002 — 1995

2004 was the year of **Panariagroup's foundation**, following the merger by incorporation of all 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. In the same year, **Cotto d'Este launched Kerlite**, the revolutionary line of ultra-thin slabs: Panariagroup was the first ceramic group to introduce an innovation on the market that changed the concept of tiles.

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

In 1995, the Group's production capacity was increased with **the construction of the technologically advanced production site in Toano** (Reggio Emilia, in the north of Italy), specialized in the production of porcelain stoneware. In that same year, **the Fiorido Industrie Ceramiche brand was founded** in order to strengthen the Group's leading position on the market.

2017-2020 — 2021

Significant progresses were made in terms of industrial development with major investments in all business units. Strengthening of the commitment to laminated porcelain stoneware: **the third production line was built in Fiorano Modenese** and the product range was expanded with **the introduction of new sizes and thicknesses**. **New commercial channels** were also developed: the Contract & Key-Account Division was set up.

The company's quality assurance was progressively strengthened, in particular with the introduction of **new product sustainability certifications** (e.g. EPD and Green Guard). Finally, **Maxa Ceramic Slabs was established**, the new Panariagroup Brand that focuses on providing large-format, high-thickness ceramic maxi-slabs for the furnishing accessories and interior design segment.

The company started work on developing an **ambitious long-term Sustainability plan** with initiatives and goals related to People, Planet and Prosperity. Expansion and upgrading work was completed **at the Fiorano Modenese production site**, while major technological upgrades were also carried out **at the Finale Emilia plant**. In July, the formal procedures leading to the company's exit, on a voluntary basis, from Borsa Italiana (so-called delisting) were successfully concluded.



Panariagroup worldwide

Panariagroup actively operates both in Italy and abroad **through nine Brands** that can satisfy a diverse Customer base focused on the technical and aesthetic quality of its products: Panaria Ceramica, Lea Ceramiche, Cotto d'Este, Blustyle, Florida Tile, Margres, Love Tiles, Bellissimo and Maxa Ceramic Slabs.

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 S.A. with registered office in Ílhavo (Portugal) and Panariagroup USA Inc., which owns the Florida Tile Inc. and Lea North America LLC. Companies, with registered offices in Delaware (U.S.). The Group also includes Montanari Ceramiche S.r.l., a retail outlet for the Group's ceramic material with registered office in Finale Emilia (Italy), Panariagroup India Industrie Ceramiche Pvt Ltd with registered office in Ahmedabad (India), a company that markets "Bellissimo" Brand products in India, and Gres Panaria Central Europe GmbH, a company with registered office in Hamburg (Germany) that promotes Gres Panaria Portugal S.A. products on the German, Austrian and Swiss markets.

The Group's driving force is its **6 production plants**, located in Finale Emilia, Fiorano Modenese and Toano, Italy, in Ílhavo and Aveiro, Portugal, and in Lawrenceburg, United States. The Group also has two storage and shipping centres in Italy, located in Casalgrande and Sassuolo.

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 around 10,000 Customers worldwide, mainly retailers, but also distributors, construction companies and customers involved in major projects.

Marketing and distribution at national and international levels of all Panariagroup products are 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 22 stores** located throughout the territory.

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

the Group

PANARIAgroup®
INDUSTRIE CERAMICHE S.P.A.

Panaria
ceramica

COTTOD'ESTE
EXCLUSIVE SURFACES

LEA
CERAMICHE

BLUSTYLE
COTTOD'ESTE

PANARIAgroup®
TRADE

MAXA
CERAMIC SLABS

100%

100%

100%

100%

100%

GRES PANARIA
Portugal S.A.

MARGRES
CERAMIC TILES

LOVE
CERAMIC TILES

MONTANARI S.r.l.
Store

PANARIAgroup®
U.S.A. Inc.

100%

GRES PANARIA
CENTRAL EUROPE GMBH

100%

PANARIAgroup®
India Pvt Ltd

Bellissimo
STILE ITALIANO

LEA
NORTH AMERICA

floridatile



HQs GRES PANARIA CENTRAL EUROPE GMBH
AMBURGO

GERMANY

FINALE EMILIA (MO)
TOANO (RE)
FIORANO MODENESE (MO)

ITALY

HQs PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

FIORANO MODENESE (MO)

HQs PANARIAGROUP TRADE

FIORANO MODENESE (MO)

HQs LEA CERAMICHE

FIORANO MODENESE (MO)

HQs MAXA CERAMIC SLABS

FIORANO MODENESE (MO)

HQs COTTO D'ESTE & BLUSTYLE

SASSUOLO (MO)

HQs PANARIA CERAMICA

FINALE EMILIA (MO)

ITALY

FINALE EMILIA (MO)
TOANO (RE)
FIORANO MODENESE (MO)

SASSUOLO (MO)
SANT'ANTONINO DI CASALGRANDE (RE)

ITALY

COTTO D'ESTE SHOWROOM

MILANO

ITALY

MONTANARI CERAMICHE STORE

BOLOGNA

ITALY

AHMEDABAD (GUJARAT)

INDIA

HQs BELLISSIMO

AHMEDABAD (GUJARAT)

INDIA

LOVE TILES & MARGRES

LISBOA

AVEIRO

PORTUGAL

HQs GRES PANARIA PORTUGAL S.A.

AVEIRO

PORTUGAL

ILHAVO

AVEIRO

PORTUGAL

ILHAVO

AVEIRO

PORTUGAL

2/4

The Group's values and principles

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.

The Group's **research and innovation**, devoted to **product beauty and quality**, enable it to satisfy all the main market segments with a dedicated and high-quality product range.

Values

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

technological leadership

We constantly invest in research, technologies and state-of-the-art plants 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 that grew from strong family roots in the Sassuolo ceramic district to become a major international player, operating all over the world, while maintaining an Italian spirit.



Principles

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

responsible communication and transparency

Panariagroup is committed to ensuring transparent corporate 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 way 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.

Organisational structure and governance

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 Directors manages Panariagroup and pursues the primary goal 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 non-financial reporting, the Board of Directors ensures that the Sustainability Report is prepared and published in a timely manner and in accordance with reporting standards, it approves the Group's materiality matrix and the Report within the same timeframe as the presentation of the draft report, and it makes it available to the appointed Auditing Company.

The Panariagroup Board of Directors consists of 6 members. 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 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 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 AS AT 31.12.21

full name	role
Emilio Mussini	President
Paolo Mussini	Vice-President
Giuliano Pini	CEO
Andrea Mussini	Administrator
Marco Mussini	Administrator
Daniele Prodi	Administrator

Following the Company's voluntary decision to leave Borsa Italiana, it should be noted that the committees previously formed within the Board of Directors are no longer in place: Control and Risk Prevention Committee, Remuneration Committee and Related Parties Committee. The good governance practices gained from the Company's almost 17-year experience at Borsa Italiana remain, however, a legacy the Group will treasure, since they are already integrated into its business model.

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, U.S., India and Germany) and drafting of the document. The members of this committee are representatives of different corporate 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, U.S., India and Germany), local contact persons have been identified who deal with the management and supervision of sustainability issues and with the non-financial reporting process at local level, in order to guarantee direct and active involvement.

sustainability
facts

health



We work to create healthy
and safe environments.

This is why we have introduced an
exclusive antibacterial technology
for over 10 years.

Named **PROTECT**[®],

it eliminates up to

99.9% of bacteria

from surfaces and is always active:

because we care about the health of
those who choose our products.

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Sustainability risk management

Panariagroup has an internal control and risk management system in order to **identify, prevent and manage** corporate performance **risks as much as possible**.

The Group has defined a risk management and internal control system, which, together with the policies, procedures and measures 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 goals 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.

The Group, aware of the importance of non-financial risks, has identified the main risk factors that are internally monitored on a daily basis, as reported below.

Risk related to climate change and environmental risk

The risks stemming from climate change identified by Panariagroup are related to an incorrect management of energy sources and emissions, risks related to legislative/regulatory changes associated with the fight against climate change and physical risks, i.e. risks deriving from the progressive change in climate conditions linked to long-term changes and extreme weather events that expose the Group to damage or destruction of "material capital", such as industrial buildings, plants and infrastructure, as well as potential interruptions to essential supplies and potential contraction of production capacity.

The Group's plants, located in Italy, Portugal and the U.S., have a sufficient capacity, if necessary, to take on the production loads of any sites damaged by extreme weather events or natural disasters, mitigating the risks associated with predictable climate change and its overall financial implications. **The Group also carries out ordinary maintenance interventions using the best prevention and protection strategies**, including with the aim of reducing potential impact on production plants.

Panariagroup has an internal control and risk management system in order to fulfill its targets.

Other environmental risks for the Group are related to the management of water resources and waste, or connected 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 Group has adopted an integrated Quality, Environment, Hygiene and Safety management system and a system has been developed for the European offices in compliance with ISO 9001, ISO 14001 and the EMAS Regulation. As required by Legislative Decree no. 152/06 on “Environmental regulations”, the Finale Emilia, Toano and Fiorano Modenese plants carry out production activities in compliance with the Integrated Environmental Authorisation (IPPC Directive - Integrated Pollution Prevention and Control).

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

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 goals, 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.

It should be noted that, in 2019, the Group began a supply chain analysis process – based on Environmental, Social and Governance (hereafter also “ESG”) criteria – that has considered two variables: supplier risk profile and importance, on the basis of which the parties that most expose the Group to indirect risks have been identified. With regard to these suppliers, the Group has committed to launching a process to monitor and evaluate the controls adopted in the ESG and quality areas, which produced its first results in 2020 and 2021, limited to the Italian and Portuguese scope.

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 Group is particularly committed to mitigating its impact in this area, including any indirect impact linked to its supply chain.

Panariagroup is particularly attentive to the management and prevention of such risks, **through compliance with national and international laws and regulations, as well as through Panariagroup’s internal rules within all the Group 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 companies, as well as by its participation in the UN Global Compact.

With regard to indirect social impact, **Panariagroup’s Code of Business Conduct promotes the adoption of behaviours aimed at protecting human rights**, in compliance with national and international laws and regulations in production and delivery Countries, as well as in line with the principles inspired by the ILO Conventions, the OECD Guidelines and the UN Global Compact. This Code requires the following principles to be respected:

- abolition of all forms of exploitation of child and forced labour;
- respect for the diversity and religious, political and sexual orientation of individuals;
- respect for rights of association, worker representation and collective bargaining agreements.

Finally, it should be noted that, back in 2019, **the Group began a supply chain analysis process - based on Environmental, Social and Governance** (hereafter also “ESG”) criteria - that enabled it to identify the suppliers that most expose the Group to indirect risks in terms of respect for human rights. With regard to these suppliers, the Group is conducting a process to monitor and evaluate the measures adopted in the areas of quality and ESG.



Risk of failure to protect occupational health and safety

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 and contractors who work at the Group's sites and/or under the Group's control.

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 occupational situation.

Panariagroup has adopted an integrated Quality, Environment, Hygiene and Safety management system aimed at ensuring occupational protection and safety. In particular, for the European offices, a system compliant with ISO 9001 and ISO 14001 standards has been developed, which is also compliant with UNI-INAIL Guidelines for the Italian offices, with the aim of developing and implementing internal procedures to prevent, monitor and manage occupational accidents and incidents.

The Code of Business Conduct, aimed at the entire supply chain of goods and services, extends the Group's commitment to occupational health and safety throughout the value chain.

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 Organisation, Management and Control Model 231/01**, together with a **Code of Ethics**, 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. In 2019, the information flows to the Italian Parent Company's Supervisory Body were extended to include the Portuguese and the U.S. Business Units, in order to extend their supervision and control of corporate, IT (cyber risk), environmental and health and safety matters (for further details, please refer to the following "Integrity and Compliance" section).

Furthermore, Panariagroup's Code of Business Conduct requires its commercial partners to:

- avoid any possible conflict of interest in business relations;
- fight corruption in all its forms;
- adopt responsible and transparent communication.

COVID-19 risk

In 2020, the pandemic of the virus known as COVID-19 emerged globally, significantly impacting health, economy and society.

This phenomenon cannot be said to have come to an end. Nevertheless, the vaccination campaign has made a significant contribution to reducing the adverse effects, both in terms of hospitalisations and deaths.

At present, in the main markets in which the Company operates, there are no significant economic effects resulting from the continued pandemic, but we cannot exclude the possibility that new variants of the virus may cause consequences in the future that could lead to a return to a state of emergency.

Panariagroup has taken prompt actions to contain the spread of COVID-19 providing basic information and distributing individual protection equipment.

Moreover, Panariagroup believes that having successfully dealt with this situation in the past, despite the fact that it was a completely new situation at the time, provides reassurance as to the Company's ability to implement effective countermeasures in the event of a new wave of the virus.

In this respect, it should also be noted that the Group's management has taken prompt action to ensure that the Company and its subsidiaries have access to the support measures introduced by the governments of the Countries in which they operate.

Russia-Ukraine conflict risk

The Russia-Ukraine conflict, which began in early 2022, is having significant consequences on the European economy, including the ceramics sector.

In particular, the main expected impacts relate to:

- reduced turnover in the areas affected by the war;
- a further surge in gas and electricity costs;
- suspended supplies of Ukrainian clay, which constituted 20% of the supply of mixture materials for the parent company Panariagroup Industrie Ceramiche S.p.A.

The rising cost of energy factors potentially has extremely significant effects in view of the high energy and gas use for the sector. This risk is mitigated by the current high demand, which permits most of the cost increase to be passed on in sales prices. Moreover, the Parent Company, in early 2022, carried out price fixing and financial hedging transactions that reduced the variability of these costs for the current financial year. However, in the event that gas and electricity prices exceed certain economic thresholds, this may also lead to a decision to temporarily suspend manufacturing activities, as was already the case at the Italian and Portuguese plants in early 2022.

Finally, with regard to the shortage of mixture materials, the Group has alternative supply sources in other Countries, such as Germany, Turkey and Portugal and competent internal resources to study new mixture formulations that can guarantee the products the same technical and aesthetic features, without a significant impact on unit production costs.

For further related risks identified by the Group, please refer, for details, to the "Risk Management" section of the Management Report within the Consolidated Financial Statements as at 31 December 2021.



Integrity and compliance

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

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.

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. The SB informed all the relevant functions that one of the main legislative changes which, in 2020, affected Legislative Decree 231/01 was the inclusion of Tax Crimes, pursuant to Legislative Decree 74/2000, as predicate offences. This made it necessary to update the Model following analysis of the types of offence and of the risk profiles of their commission. The SB took steps, with technical and legal support, to map risks and identify the protocols and safeguards necessary to protect the Company from the commission of such offences and to draft a new special part of the Model.

Mapping and analysis of risk areas represent a cornerstone of the modus operandi of Panariagroup, which, focusing 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 corporate reputation.

In 2019, the information flows of the foreign companies (in Portugal and the U.S.) were extended to the Italian Parent Company's SB, in order to extend its supervision and control of corporate, IT (cyber risk), environmental and health and safety matters. Procedures inspired by the Parent Company's 231 Model have therefore been adopted in the subsidiaries, as well as a compliance program to which subsidiaries must adhere, **ensuring a constant flow of information that promptly reports risk situation details to the Parent Company**. The Parent Company's Supervisory Body has therefore extended its internal monitoring 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, **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.** With regard to ethics and integrity in business conduct, the Group:

- requires compliance with both national and international anti-money laundering rules and regulations;
- is committed to combating all forms of active and passive corruption by promoting a culture of legality in all corporate contexts;
- is committed to maintaining ethical behaviour in business relationships with third parties.

The rules of conduct stated in the Code of Ethics, which the work of all the Group 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 relation to the latter, it should be noted that, for both 2020 and 2021, there were no cases of corruption in the Panariagroup Group that led to the dismissal of employees or measures whereby contracts with business partners were terminated or not renewed due to corruption-related violations. Furthermore, during the reporting period, there were no incidents of corruption-related public lawsuits brought against the Group or its employees.

It should also be noted that, for both 2020 and 2021, there were no pending or concluded legal actions concerning anti-competitive behaviour, violation of antitrust regulations and related monopoly practices in which the Group was identified as a participant. 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.

For both 2020 and 2021, there were no significant fines⁸ and non-monetary sanctions for non-compliance with environmental laws and regulations, nor was there any non-compliance with regulations and/or self-regulatory codes regarding product information and labelling and/or regarding the impact on the health and safety of products that resulted in a sanction, fine or warning from supervisory bodies.

Finally, in relation to non-compliance with laws and regulations in the social and economic area, it should be noted that in 2019 Panariagroup received 4 notices of assessment (referring to the years 2014, 2015, 2016 and 2017) relating to alleged irregularities in the calculation of the TARI waste tax, for a total value, including penalties and interest, of €0.6 million; the Company opened a legal dispute to contest the documents received. The situation remained unchanged in 2021.

8. Only monetary sanctions of a significant amount, i.e. of a value greater than €10,000, are taken into consideration.

3



economic
responsibility

Panariagroup has always remained firmly rooted in its native land and proudly representing “Made in Italy”, the Group is aware of its responsibility towards local communities, shareholders and financial institutions.

—
The chapter’s material topics

Economic performance

—
Our contribution to the SDGs



in evidence

Net operating margin

13.2 million euros

We improved our operating margin by €13.2 million compared to 2020

We believe in innovation

110 million euros

Over the last 5 years, we have spent around €110 million on innovation and technological upgrading

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 skills of ceramic workers, who have begun to settle here, have also increased exponentially.

Panariagroup **has always remained firmly rooted in its native land** and proudly **represents "Made in Italy"**. Indeed, products developed in Italy are key to its financial success. 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 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 areas in which it operates (not only in Italy, but also abroad, in the Aveiro area in Portugal and in Lawrenceburg, Kentucky, U.S.).

Connected to the local community, but also focused on national and international dynamics, the Group - partly due to its 17-year presence on the Stock Market - is always aware of its responsibility towards its current and potential Shareholders and towards financial institutions.

Through appropriate reinvestment of profits and, in line with the economic results, an adequate dividend policy in which Shareholders are directly remunerated, the Group is committed to achieving development goals aimed at guaranteeing an increase in the company's value.



3 2

Generated and distributed economic value

The generate economic value 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.

	2021 thousand euros	2020 thousand euros	difference thousand euros	variation %
Generated economic value	429,628	351,129	78,499	27%
Value distributed to Suppliers	293,543	231,009	62,534	11%
Value distributed to Staff	92,852	83,958	8,894	9%
Value distributed to Lenders	4,512	4,152	360	9%
Value distributed to Shareholders	-	-	-	-
Value distributed to the Public Administration	821	(5,890)	6,711	-114%
Value distributed to the Community	176	170	6	4%
Distributed economic value	391,904	313,399	78,505	25%
Retained economic value	37,724	37,730	(6)	-0.02%

The comparison with the previous year shows a very significant increase in Generated Economic Value of €78.5 million (+27%), which was matched by a similar increase in Distributed Economic Value, with Retained Economic Value remaining essentially stable.

However, it was not only Shareholders who benefited from the increase in Distributed Economic Value, but also Suppliers (+€62.5 million, +11%), Employees (+€8.9 million, +9%) and Lenders (+€0.4 million, +9%).

The return to a positive economic result and the resulting taxation also allowed for a distribution of value to the Public Administration. In 2021, following the delisting from Borsa Italiana, dividends amounting to €24.3 million were distributed to shareholders from the existing reserve in the balance sheet.

The return to a positive economic result and the resulting taxation also allowed for a distribution of value to the Public Administration.



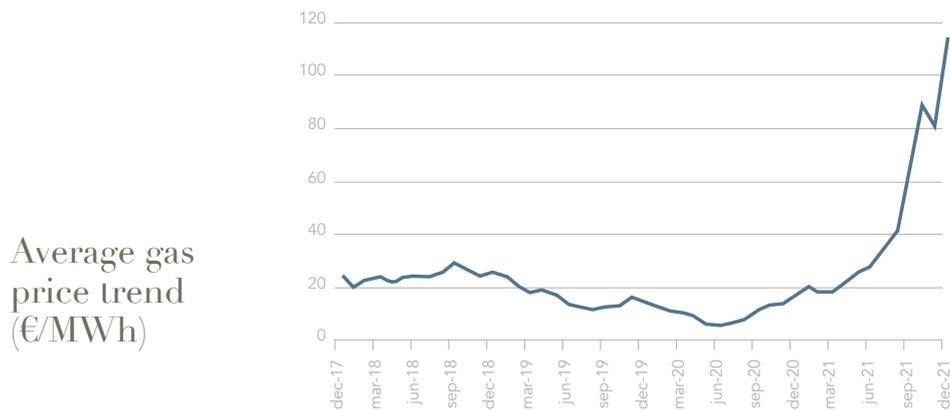
2021 financial results

After 2020, marked by the strong repercussions of the pandemic, which did not spare the ceramics sector, 2021 looked to be a decidedly uncertain year, difficult to interpret. In this context, thanks to the management policies undertaken in the previous year, aimed at strengthening the company's equity and financial position, Panariagroup could count on a solid base, which was necessary to face a highly uncertain context with predictable volatility in economic dynamics.

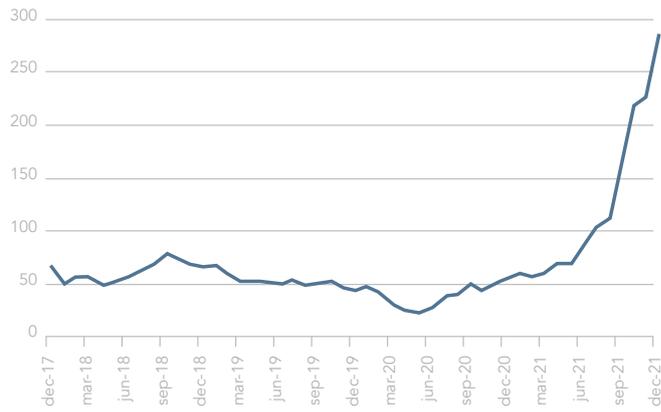
In hindsight, we can observe that certain distinctly unusual trends emerged in 2021, mainly concerning consumption and cost developments.

With regard to ceramic material consumption, there was a significant "rebound" compared to the previous year, with levels even higher than in 2019; this figure exceeded expectations, especially in view of the continuation of the global health emergency throughout the year, albeit to a lesser extent than in 2020. On the other hand, the sudden growth trend caused the market of raw materials and services to "overheat", leading to supply difficulties and, above all, to a significant increase in purchasing costs. In particular, the first part of the year witnessed very noticeable increases in packaging and transport prices, which were accompanied by increases in gas and electricity rates in the second half of the year.

As shown in the graphs below, gas and electricity cost more than 5 times the average of recent years at the end of 2021.



Electricity price trend (€/MWh)



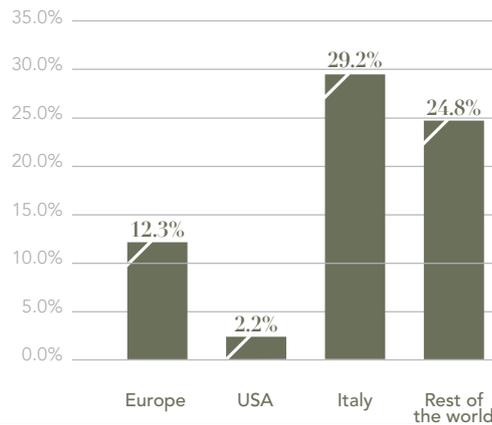
This rise of energy components to historically high levels triggered further inflationary trends, which also significantly affected all other production factors.

In this highly complex context, the Group managed to improve its financial results, reporting an annual profit of €3.2 million, an improvement of €9 million over the previous year's loss of €5.8 million.

The main driver was the revenue trend, which saw growth over the previous year in all the areas covered by the Group.

% Change in revenue by area 2021 VS 2020

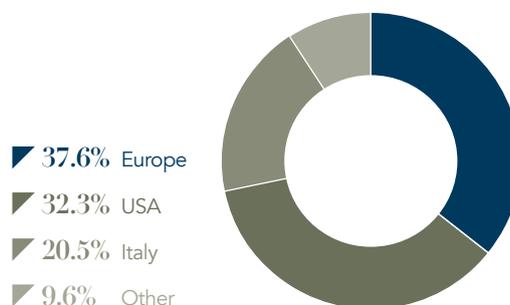
Percentage data



The distribution of turnover is as follows:

Breakdown of turnover by geographical area 2021

Percentage data



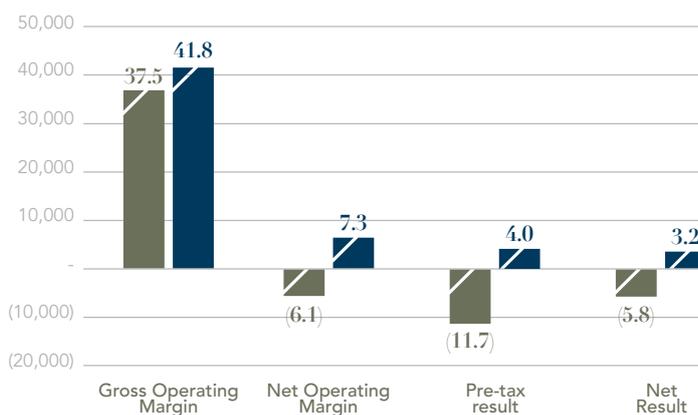
Panariagroup thus reaffirms its position in 2021 as a Group of international standing that operates in all major markets and that has a balanced distribution of turnover.

2020 - 2021 Economic results

(Million €)

■ 2020

■ 2021



The items relating to Net Working Capital, Shareholders' Equity and Fixed Assets/Liabilities relating to 2020 were restated following the adjustment for a different method of accounting for EUA emission rights. For further details, please refer to the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2021.

The economic results for 2021 show clear improvements compared to the previous year; the figure is particularly significant if we take into consideration the negative impact resulting from the increase in energy rates, which led to a higher estimated cost compared to 2020 of €14.6 million, only partially offset by the increases in sales prices implemented in the second half of the year.

In terms of Assets, the following trends were noted in Net Invested Capital and in the breakdown of Sources.

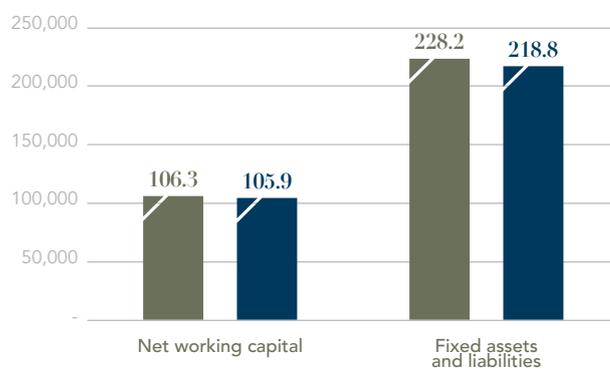
Breakdown of net invested capital

2020 - 2021

(Million €)

■ 2020

■ 2021



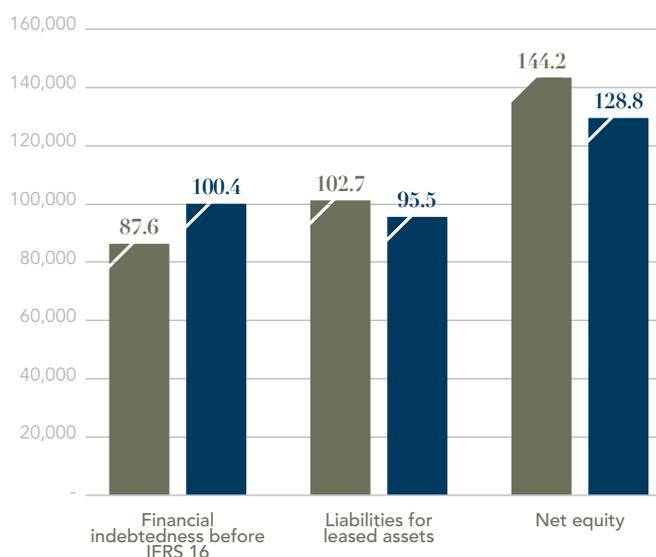
Breakdown of sources

2020 - 2021

(Million €)

2020

2021



The significant decrease in Shareholders' Equity is related to the distribution of €24.3 million in dividends (drawn from previous years' reserves) connected to the delisting operation.

The Group managed to partially absorb the financial impact of this transaction (increase in NFP before IFRS 16 of €14.0 million) thanks to the improvement in operating cash flow and the containment of Net Working Capital (which remained unchanged despite the growth in business volume).

In conclusion, in a highly complex year characterised by the ongoing global health emergency and particularly significant external factors, the Group confirmed its ability to rapidly adapt to the changed conditions, managing to achieve growing economic results, while maintaining a solid equity and financial structure, without abandoning its investment programmes aimed at growth and industrial development.

3/4

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 order 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	total (M of €)	% of revenue
2017	34.4	8.9
2018	19.2	5.2
2019	14.6	3.8
2020	19.4	5.4
2021	21.8	5.4
Total 2017-2021	109.8	5.8

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

investments for business unit (M of €)	Italy	Portugal	USA	Group
2017	13.1	13.8	7.5	34.4
2018	10.3	6.5	2.4	19.2
2019	6.2	5.9	2.5	14.6
2020	13.5	2.2	3.7	19.4
2021	14.2	4.2	3.4	21.8
Total	57.3	32.6	19.5	109.4
% of total	52%	30%	18%	100%
% of turnover	5.7%	8.7%	3.1%	5.8%

In 2021, investments were mainly concentrated on the Italian Business Unit, which absorbed about two-thirds of the total resources. In particular, the development plans for the Finale Emilia and Fiorano Modenese sites were carried on. In the Finale Emilia plant, a process of expansion and technological advancement is under way, with the installation of a “Continuous Line” in 2020 as the first step.

In 2021, the project was followed up with the installation of a new sprayer with increased productivity and energy efficiency. Furthermore, a new lapping line and a new packaging line were installed, enabling the processing and management of large formats (up to 180 cm side). Moreover, during the year, the associated company Immobiliare Gemma, the lessor of the buildings in which Panariagroup carries out its activities, purchased a large area adjacent to the Finale Emilia site to support its ambitious industrial growth plans. The Fiorano plant, which is exclusively dedicated to producing laminated stoneware, also underwent a major upgrade, with the complete refurbishment of a production line involving the installation of a new press for forming large-size slabs, a multi-storey dryer and a sorting line with increased production capacity and optimised energy consumption.

Further significant progress is also planned for both plants in the 2022 financial year. For further details on the investments made by the Group, please refer to the “Product Quality, Design and Sustainability” section of this document.

Activities to update technology and improve production efficiency also continued in the plants of the foreign Business Units.

In addition, a number of interventions were carried out to optimise energy consumption, such as the replacement of existing lighting systems with LED systems at the Toano (Italy), Ílhavo (Portugal) and Lawrenceburg (U.S.) plants.



sustainability
facts

innovation



We are the first ceramic Group to have introduced the innovation of ultra-thin ceramic slabs, which **reduce the thickness of traditional tiles by 2/3**, generating fewer emissions and consuming less raw materials, energy and water.

Strategy and fiscal transparency

APPROACH TO TAX

The Group has not formalised a tax strategy in writing, but it operates in this area **in accordance with its values and the principle of legality.**

As stated in our Code of Ethics, “the Group, in the course of its activities, acts in compliance with applicable laws and regulations, as well as with the Code and internal procedures. Compliance with national and international regulations is a binding and essential condition for the Group’s actions.”

The Group therefore also operates in an ethical and transparent way in the management of its tax activities, through a behaviour geared towards compliance with the applicable tax regulations, undertaking to interpret them in a way that respects their substance as well as their form, and maintaining a collaborative and transparent relationship with the tax authorities. The choice of the Countries in which the Group operates is guided by business evaluations, rather than tax reasons.

The main goals guiding tax management activities are:

- correct and timely assessment and settlement of taxes due by law and performance of related duties;
- correct management of tax risk, understood as the risk of violating tax rules or abusing the principles and purposes of the tax system.

Panariagroup operates in accordance with its values and the principle of legality. maintaining a collaborative and transparent relationship with the tax authorities.

In terms of central tax management, the Group does not engage in behaviours and operations, whether domestic or cross-border, which result in purely artificial arrangements, which do not reflect economic reality and from which it is reasonable to expect undue tax advantages, insofar as they are contrary to the purpose or spirit of the provisions or of the relevant tax system and lead to double deduction, deduction/non-inclusion or double non-taxation, including as a result of disparities between the tax systems of the various jurisdictions.

At local level, Group entities must comply with the principle of legality, applying the tax laws of the Countries in which the Group is present in a timely manner, in order to ensure that the provisions, spirit and purpose that the rule or law provides for the issue in question are observed.

The Group considers taxes as a cost of doing business, which as such must be managed in compliance with the principle of legality, with the aim of safeguarding the company's assets and pursuing the primary interest of creating value for Shareholders over the medium to long term, in the knowledge that tax revenues are one of the main contributors to the economic and social development of the Countries in which it operates.

TAX GOVERNANCE, CONTROL AND RISK MANAGEMENT

Responsibility for tax issues lies with the Board of Directors, whereas at executive level it falls within the remit of the Managing Director. The Group CFO, who reports to the Chief Executive Officer, is responsible for directing and coordinating tax-related activities for all Group companies.

The various Group companies employ staff with appropriate training in taxation, who manage deadlines and recurring obligations; moreover, qualified external consultants constantly support the local teams and have a direct relationship with the Group CFO.

The Group has adopted a set of rules, procedures and principles that are part of its wider organization and control system, which should be considered fundamental points of reference that all parties, depending on the type of relationship they have with the Group, are required to respect.

With specific reference to the tax issue, a Tax Control Framework was defined for Panariagroup, which provides for a structured process of evaluation of Tax Risks through the phases of Risk Assessment for the identification of controls and risk monitoring, evaluation of these controls and related information flows. Eight areas of Tax Risk (Processes) have currently been identified; the risk is the result of a self-evaluation by Group Internal Audit and Group CFO that takes into consideration the Features of the Process and Type of Risk involved.

The goal is to implement this model for all of the Group's significant business units within 3 years.

Intercompany transactions

Intercompany transactions are governed, for tax purposes, on the basis of the arm's length principle (ALP), as outlined by the OECD (Model Tax Convention and Transfer Pricing Guidelines), with the aim of aligning transfer conditions and prices as accurately as possible with the places where value is created within the Group.

Low-tax jurisdictions

The Group does not make investments in or through Countries considered to have favourable taxation for the sole purpose of reducing the tax burden. Such investments may only be suggested if they are supported by valid economic/strategic reasons and if they are aimed at developing activities included in the corporate purpose.

Tax incentives

Tax incentives are an important development-oriented economic policy mechanism that Countries promote to stimulate growth and attract investment, in order to support the implementation of national policy. The use of tax incentives generally leads to a reduction in long-term tax liabilities. Some Countries in which the Group operates offer various types of incentives. The Group makes use of tax incentives generally applicable to all operators, complying with all specific regulations only where they are aligned with its industrial and operational goals and consistent with the economic rationale of its investments.

STAKEHOLDER INVOLVEMENT

The Group guarantees transparency and fairness in its relations with the tax authorities, in the event of audits relating to both Group companies and third parties. Panariagroup also constantly takes a collaborative approach with all institutions and trade associations to support the development of effective tax systems in the various Countries where it operates.

In Italy, Panariagroup has adopted a "cooperative compliance" procedure concerning the Patent Box and its related incentives; this process was successfully concluded with an agreement signed with the Tax Authorities in 2021.

COUNTRY BY COUNTRY REPORTING

Information relating to country-by-country reporting for the 2021 tax year, for each tax jurisdiction in which the Group operates through its Business Units, is provided below:

	Italy	Portugal	Germany	USA	India
Names of resident entities	Panariagroup Industrie Ceramiche S.p.A.; Montanari Ceramiche S.r.l.	Gres Panaria Portugal S.A.	Gres Panaria Central Europe GmbH	Panariagroup USA Inc.; Florida Tile Inc.; Lea North America LLC.	Panariagroup India Industrie Ceramiche Pvt Ltd.
Main activities of the organization	Production and sale of ceramic material	Production and sale of ceramic material	Promotion of ceramic material	Production and sale of ceramic and building materials	Sale of ceramic material
Number of employees	748	449	4	453	36
Revenues from sales to third parties (thousand €)	229,995	85,985	679	130,519	2,642
Revenues from intercompany sales (thousand €)	21,132	8,871	679	-	552
Pre-tax profit (Loss) (thousand €)	7,513	6,628	(195)	(5,386)	(33)
Tangible assets other than cash and cash equivalents (thousand €)	405,441	83,776	93	154,269	1,127
Corporate income taxes paid on a cash basis (thousand €)	-	248	-	30	-
Corporate income taxes accrued on profits/losses (thousand €)	(163)	1,406	-	-	-

4



product
responsibility

We combine the ancient art of ceramics with the most advanced technological standards to offer solutions of outstanding quality and to ensure our customers' satisfaction through a diverse product range.

—
The chapter's material topics

Product quality and design

Sustainable innovation

Customer satisfaction

Protection of brands and reputation

—
Our contribution to the SDGs



in evidence

For a healthy, safe and protected home

5.8 million m²

In 2021, we sold over 5.8 million m² of PROTECT® antibacterial surfaces.

The quality of our products

0.85%

Complaints about sold products represent just 0.85% of total turnover.

Putting the customer first

-50%

We cut our internal management time of product-related reports by 50%, optimizing customer response procedures, thanks to the new VIS application

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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 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 features, **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.

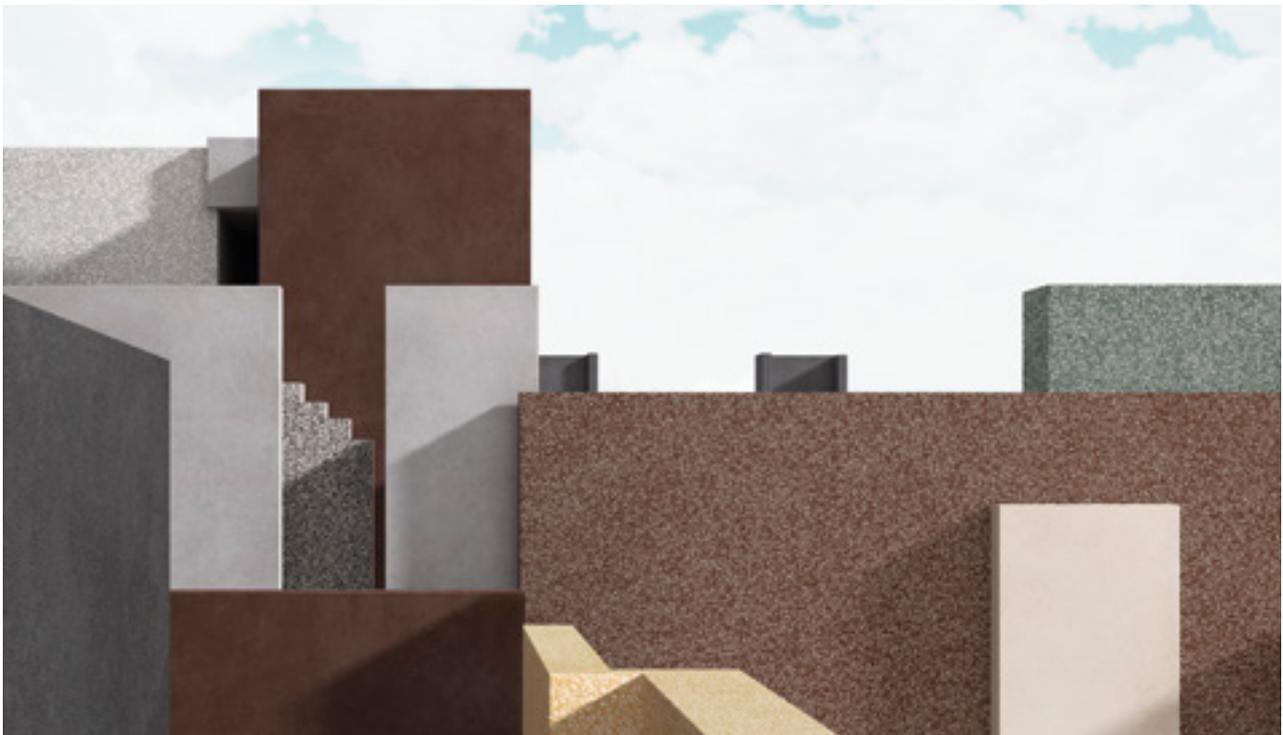
Panariagroup is also a leading company in the production of **laminated porcelain stoneware**, a revolutionary product manufactured with an extremely innovative system, the result of a very advanced and high-performance technology. Panariagroup's laminated porcelain stoneware allows the creation of tiles characterised by reduced thickness (as little as 3 mm), produced in whole 100x300 cm and 120x278 slabs without the use of moulds. Completely automated cutting lines enable the creation of various commercial formats. Extraordinary attention to quality during every step of the production cycle is another defining feature of Panariagroup's products: from the choice of raw materials to the next-generation industrial plants, 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**.

Panariagroup is a leading company in the production of laminated porcelain stoneware, a revolutionary product manufactured with an extremely innovative system.

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**. The decision to invest in these products, which provide a solid guarantee for an improved lifestyle, confirms the pioneering vision of Panariagroup, which has acted well in advance of its competitors, intercepting health and healthy living trends that have become established over the years. All this is achieved through an exclusive partnership with Microban®, a world leader in antibacterial technologies, and through an intensive and continuous technical development work carried out within the company and capable of generating very high-performance materials: in over ten years of experience, Panariagroup has sold over 20 million square meters of PROTECT® products worldwide, also contributing to very important and prestigious works and projects.

Panariagroup develops products through an outstanding process coordinated by the **Group's Product Development function**, which aims to select the best market trends and to further develop them through qualified research and to the highest standards, 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 base 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.



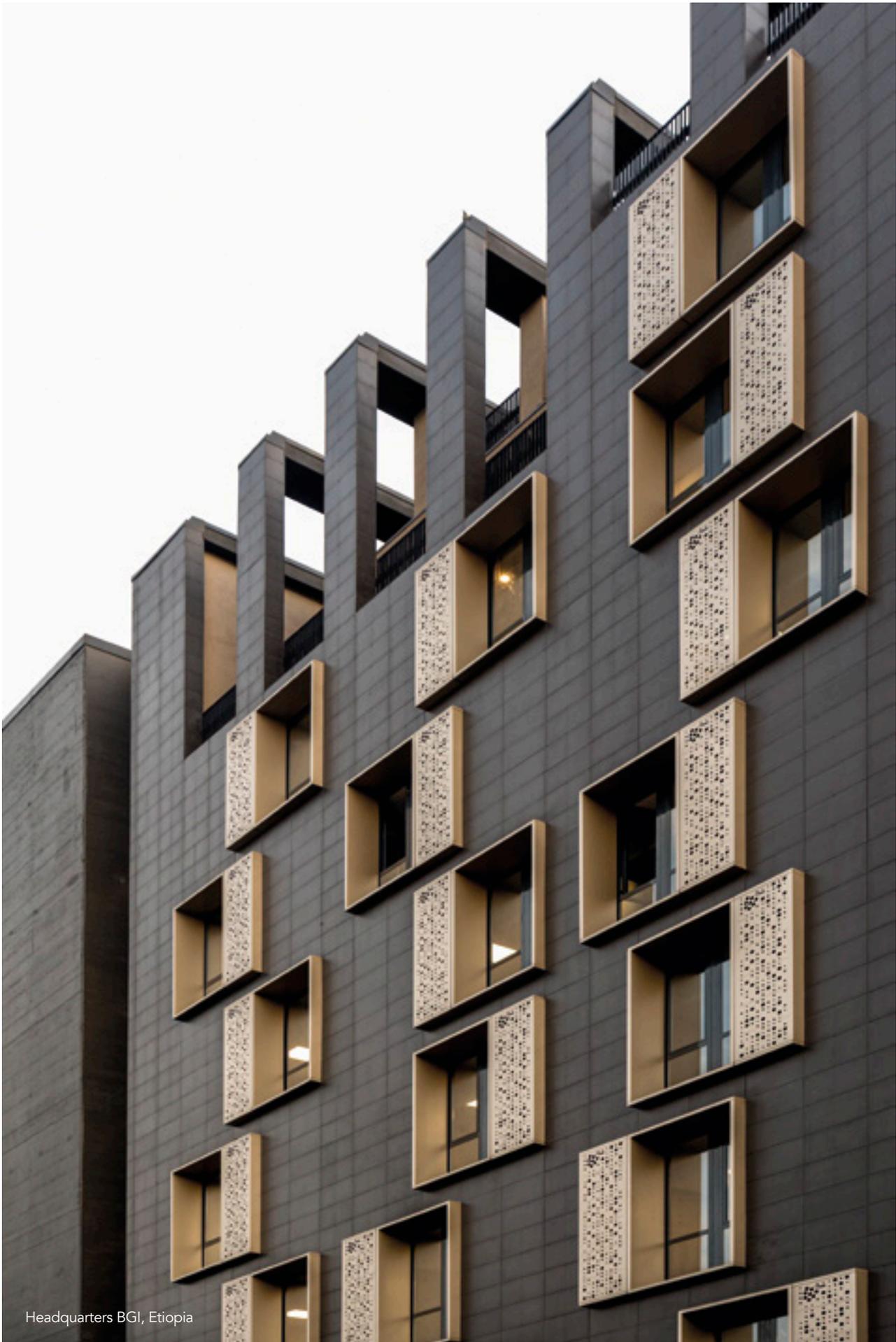
Particular care is taken over the aesthetic detail and surface finishes of the products, which thus obtain outstanding visual and tactile properties. The extraordinary quality of Panariagroup products is also reflected in the numerous awards that the Group has won over the years.

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 references 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 2021, the Group also contributed, with its products and technical expertise, to the implementation of several important projects at international level. Recent projects include the **BGI Headquarters** in Ethiopia, the **Centro Socio Sanitario Nuovo Picchio** in the province of Modena in Italy, **the Green Opificio residential project** in Milan, and **the Radisson Palazzo Nani hotel** in Venice. Other projects in Italy include **the Abitare in Maggiolina residential complex** in Milan, **the Palazzo agli Arcieri residential complex** in Tuscany, **the offices of Tartarini Auto S.p.A. Industries,** and **the headquarters of Esseti Meccanica di Precisione.** Other notable projects abroad are **the Arodafnousa Rehabilitation Centre** in Cyprus and **a Gallery on the Wartberg S6 Semmering Schnellstrasse** in Austria. Panariagroup also continued important **collaborations with architects and designers** for special projects in 2021: it renewed the partnership with **Ferruccio Laviani,** who designed Lea Ceramiche's Masterpiece Collection and the ambitious project for the Cersaie stand of Panariagroup and its Italian and Portuguese Brands.

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. The industrial development plan for the Finale Emilia site continued in 2021. Following the installation of the innovative production line referred to as Linea Continua +, the second half of the year witnessed the decommissioning of an old kiln and the installation of a modern tile firing plant, which will significantly increase the plant's production capacity. The commissioning of this new kiln is scheduled for May 2022. Moreover, in the last months of 2021, the purchase of a large area of land adjacent to the Finale Emilia site was finalised, with a total surface area of approximately 230,000 m², which will be used for the expansion of the industrial building and the construction of new yards for the reorganisation of the logistics department.

Panariagroup also completed major plant engineering investments at the Fiorano site in 2021, following the extension work on the building, which covered an area of around 15,000 m². For the renovation of the plants, which required innovative solutions that could guarantee the best performance in terms of production and corporate management, Panariagroup turned to System Ceramics technologies; the heart of the new production line is the Superfast mouldless ceramic press, which, thanks to its single-belt system, permits an extremely flexible production. Advantages in terms of time, space and consequently costs make this technology a concrete support for ceramic slab production focused on sustainable development. In fact, it is possible to make production changes in zero time and completely recover surplus raw materials during raw cutting. The line is also equipped with a new multi-storey dryer that will increase the technological solutions in terms of production of large-format and thin slabs. The new line was launched in early 2022.



Headquarters BGI, Etiopia

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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 standpoint. **Each Brand has a specific and distinctive feature**, but they are all designed and developed to respond to the needs of a Customer base 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 of them has its own features and peculiarities.

Panaria
ceramica

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

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.

COTTOD'ESTE
EXCLUSIVE SURFACES

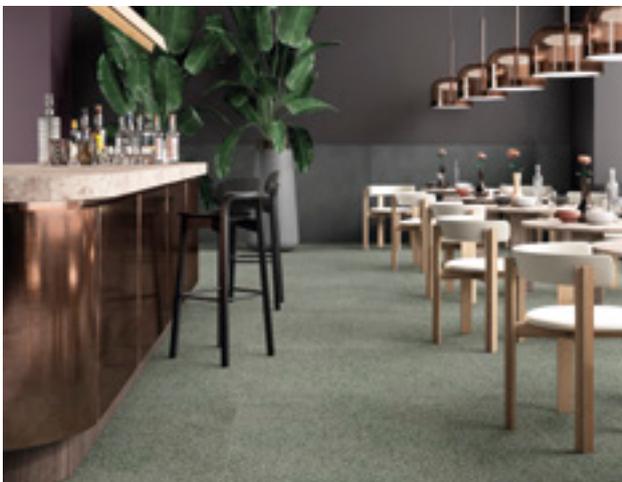
COTTO D'ESTE is the most prestigious brand in the field of ceramic surfaces. Its creations, synonymous with quality and beauty, are the product of fine craftsmanship and of a passionate and dedicated attention to detail. The profound commitment to aesthetic research and to developing unique and innovative 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 14 mm thickness, as well as in the famous kerlite large ultra-thin slabs, which have revolutionized the world of ceramics.

BLUSTYLE
COTTODESTE

BLUSTYLE is the brand that offers all Cotto D'este's quality and elegance with solutions in standard thickness that are simpler and affordable.

MAXA
CERAMIC SLABS

MAXA CERAMIC SLABS is the line of large-sized and high-thickness ceramic slabs of Panariagroup. Maxa slabs are designed for all indoor and outdoor furnishings.



MARGRES
CERAMIC TILES

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
CERAMIC TILES

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.

floridatile

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
STILE ITALIANO

BELLISSIMO is a specific brand for 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

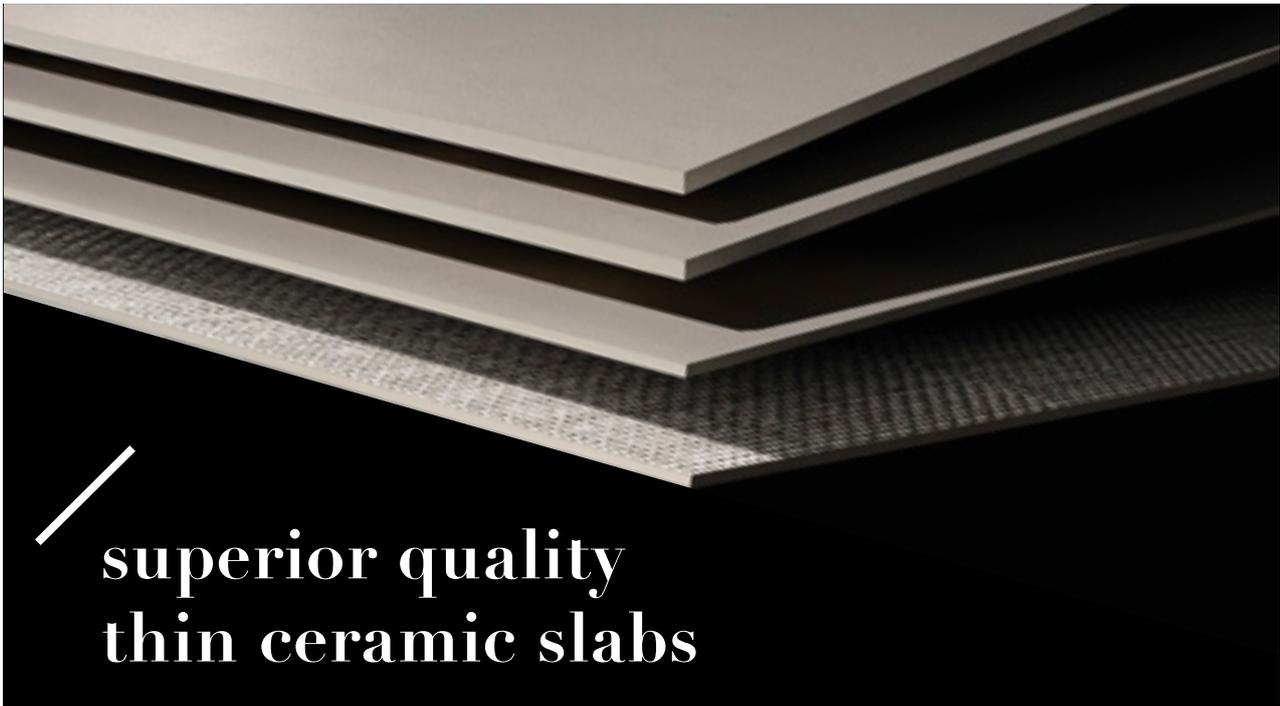
Innovation and technology

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 activity**, which aims to identify new manufacturing techniques and innovative product lines that can meet the needs of an increasingly discerning and diverse Customer base.

Panariagroup has **an important Research Centre that employs highly qualified technicians**, engineers, architects and researchers, all driven by a 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.

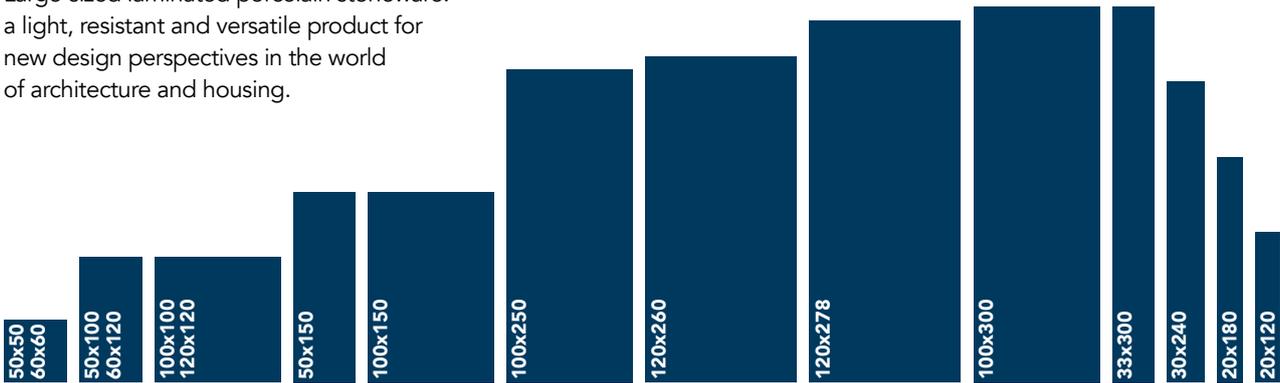
Process and product innovation is a constant target for Panariagroup and this is reflected in all its plants in Italy, Portugal and the United States. Development and evolution of the production lines, continuous research and excellence in the selection of raw materials variety and richness in surface 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 a constant innovation capable of reinterpreting and evolving this technology for increasingly ambitious projects. This has allowed Panariagroup to complete its range of thin materials with **an extensive and important set of formats and thicknesses**, produced using a winning and distinctive technology.

Panariagroup's laminated porcelain stoneware also stands out for its **high environmental performance** when compared to standard 10 mm thick porcelain stoneware. This is a further concrete demonstration of the Group's commitment to constant research into eco-friendly products.



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.



6
mm
THIN AND
RESISTANT

3
PLUS

5
PLUS

6
PLUS

ULTRA-THIN AND ULTRA-RESISTANT
WITH FIBREGLASS MESH
REINFORCEMENT



moreover our slabs are:

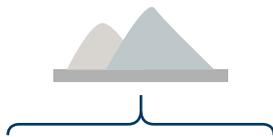
- ✔ **Thin, light** and suitable for renovation projects
- ✔ **Easy** to work with, handle and lay
- ✔ **Flexible** (minimum radius of curvature up to 5 metres)
- ✔ Perfectly **flat**
- ✔ **Reliable**, thanks to our experience in supplying this product globally for over 10 years
- ✔ Available in a **wide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

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



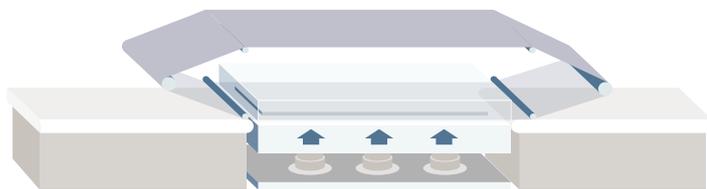
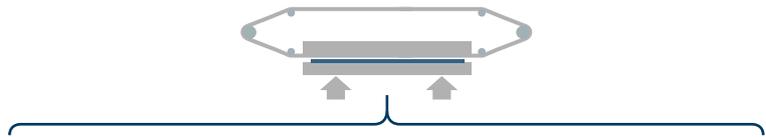
ONLY HIGH QUALITY BASE MATERIALS ARE USED, NO RECYCLED MATERIALS



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

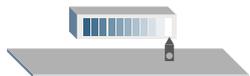
Exclusive surface processing technologies



HIGH DEFINITION OF STRUCTURES



GREAT DEPTH OF THE GRAPHIC EFFECTS



HIGH STANDARDS IN COLOUR YIELD AND WHITENESS



MAXIMUM SURFACE SHINE AND EASY TO CLEAN

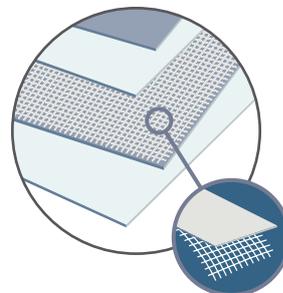
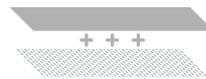


Excellent aesthetic yield of the products

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%
CO₂ 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



sustainability
facts

research

We invented the certified **Easy** system for dry installation of ceramic tiles. It can be laid without adhesive and, thanks to the exclusive use of our ultra-thin slabs, the material can be quickly and easily installed and removed, permitting **sustainable renovations** (without demolition and waste production) on top of the existing floor.

Panariagroup's laminated porcelain stoneware is a material that is also suitable for significant innovative applications: due to its reduced thickness and resistance, it can be applied over existing surfaces, thereby allowing renovation without demolition.

In this regard, in 2021 the company developed and fully launched an important and exclusive innovation: the Easy system (currently launched by Cotto d'Este and Lea Ceramiche under the Kerlite Easy and Slimtech Easy Brands), a dry laying system that allows the application of the ceramic slab on the surface without the need for gluing, using an exclusive combination of the material and a mat (Silent), completed by simple sealing of the joints. In early 2022, the company also obtained a patent for this unique solution.

This revolutionary application is guaranteed by the Kerlite and Slimtech slabs reinforced with fibreglass, which provide the floor with maximum stability and resistance, as well as the ability to easily install and replace the material and possibly even recover and reuse it, embracing a circular economy approach.

Another concrete example of the **Group's innovative ability is the development of PROTECT®**.

Since 2010, 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 2021 the Group sold around 5.8 million m² 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, night and day. 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 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 tear 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.

PROTECT®

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®

Consequently:

- **the 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 and 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.**

Panariagroup also **launched a recent product line:** geared towards the furnishing accessories segment, **Maxa Ceramic Slabs** is a range of large slabs with a high thickness (12 mm) and a 160x320 cm format. This is an important addition to the range of products offered by the company to meet the needs of specific targets and channels, partly due to the fact that the company will obtain GreenGuard Gold and NSF certifications in the first quarter of 2021, testifying to Panariagroup's ongoing commitment to producing and supplying products that are safe, healthy and suitable for use in direct contact with food.

The company also committed itself to optimising the thickness of its porcelain stoneware materials in standard formats. By re-engineering the production processes, it was possible to work on several categories of materials, slightly reducing their thickness, while maintaining their technical and aesthetic performance and full compliance with quality requirements. This obviously allowed us to lower the impacts related to the consumption of raw materials and other factors necessary for the production cycle, with clear benefits in terms of sustainability.



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 and aesthetic performance**. Thus, the synergy between products, research and design allows us to offer a wide range of products that can meet and satisfy the most varied design requirements, with a focus on **sustainability and enhancement of architectural design**.

Panariagroup operates with very high quality standards, which are reflected in its outstanding supply standards: complaints about sold products represent just 0.85% of total turnover (2020 figure⁹). Additionally, the Group is committed to handling any product problems by offering an **attentive and scrupulous after-sales service**, which is constantly updated with increasingly advanced monitoring and response tools. In this regard, Panariagroup, starting from the Italian Business Unit, is the first company in the ceramic sector to have developed the **"Servizio VIS - Verbale Interno di Sopralluogo"** (internal inspection report), an innovative proprietary (Sales Force Automation) system that **allows the sales force to monitor the quality of supplies in real time and give its customers a fast and comprehensive feedback**. A rapid response is guaranteed thanks to the use of advanced digital tools, such as a specific app for smartphones and tablets connected to the web system for data and process management. The service has been very successful: in 2021, around 1,500 requests were handled (850 of which came from the Italian market) with an average response time to the end customer of 15 days. The application has eliminated the need for in-depth technical analysis by qualified Panariagroup staff for 80% of the requests received, ensuring that the dedicated department operates with optimal efficiency. It could be estimated with reasonable accuracy that the time for data entry per report, collection of information, stock control if necessary, and preparation of a response to the customer was reduced by 50% compared to the previous procedure for handling reports from the market.

The uniqueness of the VIS service lies in the ability to quickly develop a written response certifying the qualities of the products sold. During 2021, this service was also developed and launched for the U.S. Business Unit; an evaluation of its implementation in the Portuguese Business Unit is also planned in 2022.

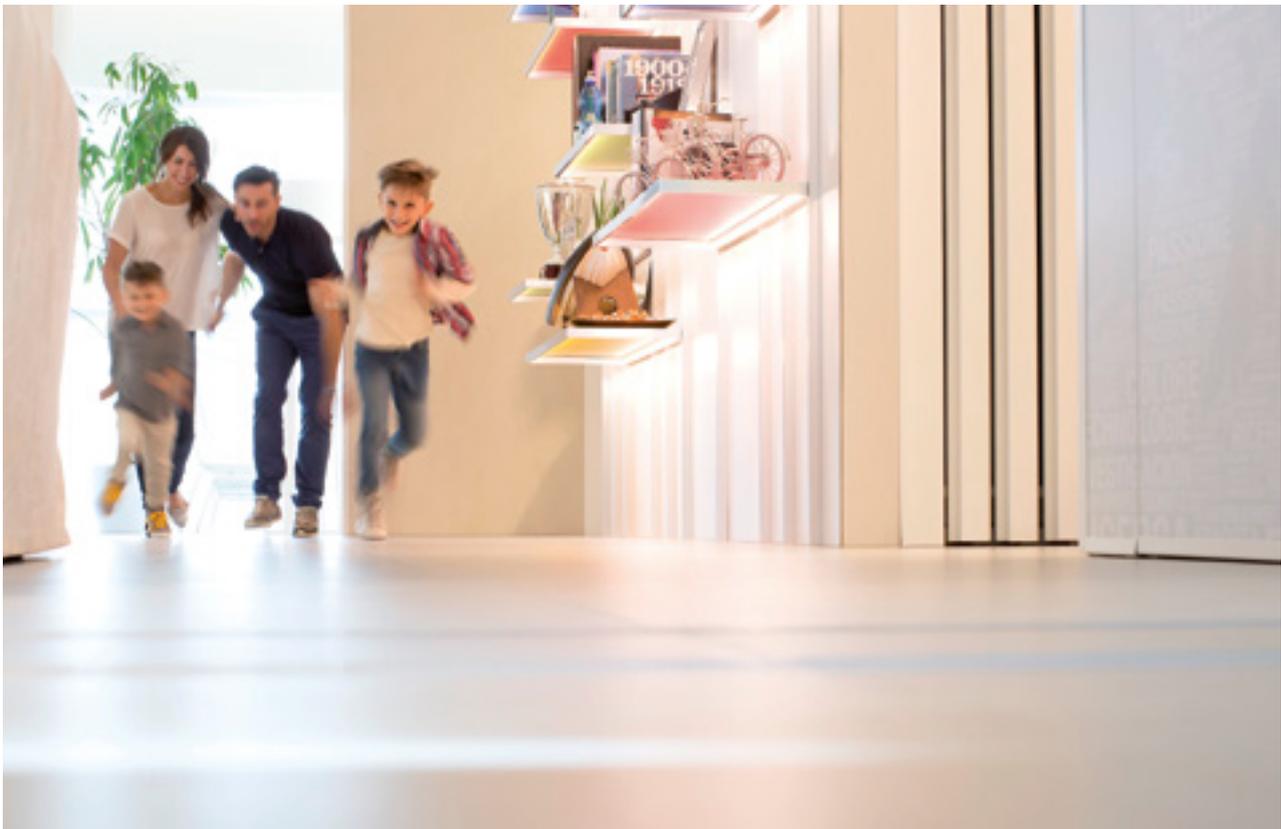
In addition, Panariagroup provides its commercial partners with in-depth technical expertise on the use and application of materials, through information tools (technical manuals), with thorough staff training and specific training sessions, both at the company's sites and in customers' premises. Over the years, thousands of people have visited the Fiorano laminated porcelain stoneware plant and attended in-depth technical sessions on ceramic slabs at the corporate site and off-site, both in Italy and abroad.

⁹. The figure only refers to the Italian business unit. At the date of publication of this document, data for 2021 are currently being processed.

Due to the health emergency situation caused by COVID-19, the Group has had to significantly reduce the openings of its production plants to external visits, however it will resume this activity as soon as possible with the same spirit as always: to provide a close-up view of the people and processes that allow Panariagroup to offer outstanding-quality products every day.

One of Panariagroup's distinctive elements is its ability to face commercial challenges not only with a multitude of Brands geared towards different market segments, but also with Group divisions dedicated to specific sales channels and/or geographical areas. This enables Panariagroup to pursue one of its fundamental principles, namely **maximum attention to Customer** care through an organisation that is solid, reliable, flexible and able to provide a timely response. Vertical organisations that aim to broadly cover markets and retail distribution are supported by horizontal structures dedicated to certain geographical areas or to particularly strategic targets, such as large international projects, corporate buyers and contracts.

With reference to this last market segment, Panariagroup has **a division (the Contract and Key Account Division) specialized in the relationship with particular Customer base segments**, such as developers, 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. As at 1 January 2021, the division was further strengthened, encompassing promotion activities for all the Group's Brands, including on the Italian market.



Digitalisation: remote working and new ways of dealing with customers

In 2021, the digital transition, initiated during the pandemic years, continued for many corporate activities, with the aim of coming into closer contact with customers and their habits.

The company has gradually converted to using digital platforms for both internal communication (video meetings) and daily communication with customers.

Online training was also aimed at the company's business partners with a number of webinar sessions on specific issues of interest.

Customer relations also gradually shifted to telematics: an online consultancy service was set up that allowed all interested parties to request an appointment with one of the company's professionals for in-depth information on the Group's products.

Another major step was the virtualisation of product presentations: all the company's Sales Divisions adopted digital and video methods featuring real television productions to broadcast the new products live to their audiences. All of this was accompanied by the increasingly extensive use of video footage at the launch of new collections.

Even the experience of visiting the showrooms has been gradually digitised: all the spaces have been made available online via a 360° virtual tour.

Communication activities on digital channels also continued to grow, both on social media platforms and with search and display campaigns and collaborations with influencers.

Finally, Panariagroup has been launched on WeChat, the Chinese platform already used by over a billion users, and has released the first BIM objects to enter the new digital systems of planning, construction and integrated management of buildings.

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 Italy	Gres Panaria Portugal
 	<p>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.</p>	Worldwide	<p>Finale Emilia</p> <p>Toano</p> <p>Fiorano Modenese</p>	<p>Aveiro</p> <p>Ílhavo</p>
 	<p>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.</p>	Worldwide	<p>Finale Emilia</p> <p>Toano</p> <p>Fiorano Modenese</p>	<p>Aveiro</p> <p>Ílhavo</p>
	<p>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.</p>	EU	<p>Finale Emilia</p> <p>Toano</p> <p>Fiorano Modenese</p>	<p>Aveiro</p> <p>Ílhavo</p>

Panariagroup Italy



Company



Finale Emilia

Toano

Fiorano Modenese

Gres Panaria Portugal



Company



Aveiro

Ílhavo

4/6

Product certifications

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

certification	description	field of application	It	Pt	US
	UPEC is a product certification issued by the French institution CSTB, verifying the technical suitability of the products related to their intended use.	Francia	●	●	
	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	●		
	The Certif mark confirms 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.	Cina	●	●	
	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	●	●	●
	All of Panariagroup's collections have obtained the GREENGUARD GOLD certification, i.e. the UL standard with the strictest VOC emission limits, guaranteeing that they are as healthy as possible for the people who use and live in these environments. They can therefore be used in environments such as schools and health facilities, attended by sensitive individuals such as children and the elderly. GREENGUARD GOLD is a widely recognised certification required by sustainable building programmes and design and construction regulations around the world, such as LEED (international) and BREEAM (UK).	Worldwide	●	●	●
	Panariagroup has adopted the HPD (Health Product Declaration) open standard, recognized by USGBC LEED, created to encourage attention to people and consumers through reporting of product characteristics and information on health risks of all those involved in the project.	Worldwide	●		●
	MAXA has obtained the prestigious "Solid Surfacing for Food Zone" certification issued by NSF (National Sanitation Foundation - American National Standard for Food Equipment Materials), which certifies the product's suitability for food contact and compliance with strict chemical analysis criteria, guaranteeing the food safety requirements of the substances used in its manufacture.	Worldwide	●		
	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 Italy



Gres Panaria Portugal



5



environmental
responsibility

We integrate environmental sustainability into the entire value chain, striving to reduce the impact of our plants and to safeguard ecosystems, in the belief that a responsible Group must necessarily create value for People and the Planet.

The chapter's material topics

Combating climate change

Water resources management

Waste management and circular economy

Our contribution to the SDGs



in evidence

Water, a precious resource

over 430,000 m³

We recovered over 430,000 m³ of water in the production cycle. Equivalent to almost 9 million washing cycles of a washing machine*.

Ceramic slabs with a sustainable profile

-34,000 t

We were the first ceramic group to introduce ultra-thin laminated porcelain slabs to the market and this enabled us to: avoiding the extraction of more than 34,000 tonnes of natural raw materials**, halving our emission intensity in relation to the product unit (tCO₂ per m²)**.

Consistent performance

0.009 tCO₂/m²

Our emission intensity has remained extremely low and consistent over the past 3 years***.

A new life for our waste

98%

In 2021, we sent 98% of our waste for recovery (+1% compared to 2020).

* An average capacity of 50 l per wash cycle was considered.

** The data are based on estimates and refer to the comparison with the production of traditional-thickness porcelain stoneware in the year in question.

*** Emissions intensity Scope 1 + Scope 2 (Location-based).

5 /1

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 and essential commitment, especially for those who create products that millions of people all around the world encounter in their daily life, at home and in public places.** The Group considers the aspects related to environmental impact and to occupational safety and hygiene 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 production plants, 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, since 2016, the Group's 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.**

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.



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 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, have achieved the ISO 14001 and EMAS Environmental Management System Certifications. The EMAS Declaration reports on environmental performance and the pre-established improvement goals. It is published annually on the company websites for the Italian and Portuguese 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 Brand product then undergoes strict and accurate quality control and every collection is classified according to specific regulations 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, in fact, is 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.

sustainability
facts

environment

We prioritise and guarantee environmental protection: we have adopted production and management systems that allow us to achieve **first-class standards**, as evidenced by the achievement of major international certifications such as **EPD** and **GreenGuard Gold**.



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.** A simple recipe, made 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. In 2021, the Group's production plants managed to avoid the extraction of large quantities of natural raw materials through the reuse of over 70,000 tons of production waste and to avoid the withdrawal of water from natural water resources through the recycling of over 430,000 cubic meters of processing water.

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 goals to achieve in order to optimize its environmental performance even further and to promote issues related to occupational safety and hygiene. For the Italian and Portuguese plants, the specific details of these goals are set out in the EMAS Environmental Statement. The Group's performance and goals are set out annually in the Sustainability Report.

sustainability facts

Easy: ceramic slabs, a sustainable
product for fast and sustainable
renovation

Due to its restrictions, the pandemic has led us to naturally rethink our spaces, starting with our homes, which have gradually become our refuge, our office, our space of well-being and comfort. An increasingly important investment in the home aimed at transforming it into a place that is ever closer to new, more sustainable living models.

On the other hand, modern architecture and growing consumer awareness require solutions that minimise the impact of renovation. As part of a circular economy approach, it **is becoming increasingly important to focus on innovation that minimizes waste and scrap, while at the same time allowing the use of products with a proven sustainability matrix.**

The ideal answer to these new requirements are ultra-thin laminated porcelain stoneware slabs:

Panariagroup was the first ceramic group to introduce this innovation, which, in addition to being a revolutionary product in terms of technical features and versatility of application, offers an exceptional response to the demand for easy, fast, sustainable and impact-free renovation work.

The slabs can be applied on top of existing floors, making it possible to install them without any masonry work. So there is no dust, waste and debris, making it possible to very quickly change the surfaces in a space, significantly cutting costs. In terms of sustainability, this is an extraordinary advantage, considering, among other things, the high impact that building waste generally has on the overall production of waste, as demonstrated by numerous studies, including those produced by the European Commission.

However, the Group's latest innovation connected to sustainable repaving is particularly significant, namely **a new dry laying system without adhesive** that makes it possible not only to lay ceramic slabs on top of existing floors, but also to do so without gluing the new materials, meaning that the material can be replaced and recovered (and the existing floor can be preserved). **Easy** is available with both Kerlite slabs by Cotto d'Este and Slimtech products by Lea Ceramiche, guaranteeing extraordinary performance thanks to the materials' exclusive glass fibre reinforcement.

Not to mention the impressive **sustainability characteristics of laminated porcelain stoneware**: its production cycle allows significant reductions in energy, water and raw material consumption, in emissions and in transport impact. It is a product that by its very nature (it reduces thickness by up to 2/3 compared to traditional tiles) places a strong emphasis on sustainable innovation.

Moreover, there is a proportion of **recycled material** from other production processes in Panariagroup ceramic material, which can be **as high as 40%**.

Panariagroup's slabs are available starting from a minimum thickness of 3 mm: a solution that differentiates the company's product range and that is particularly suitable for covering and interior design applications.



5 /3

Raw materials

Raw materials

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

- ▣ Clay
- ▣ Sand
- ▣ Feldspar
- ▣ Colored pigments

Glaze

Glazes are composed by the following materials:

- ▣ Clay dust
- ▣ Quartz
- ▣ Alumina
- ▣ Natural pigments
- ▣ Frit

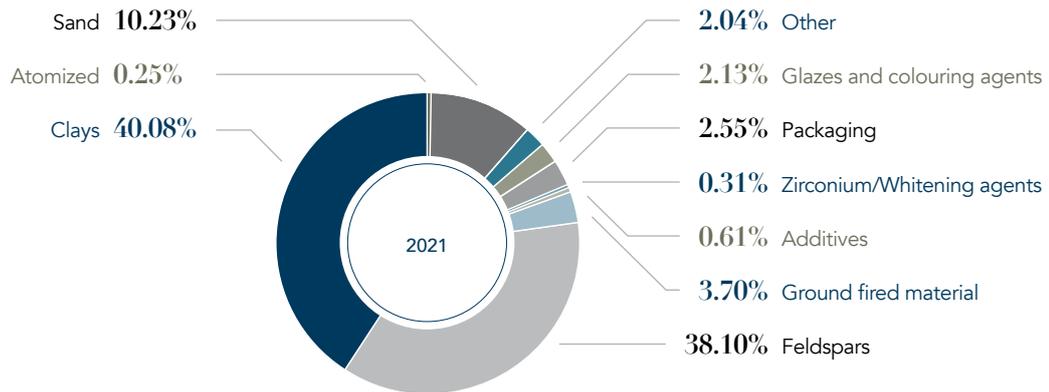
Auxiliary additives

The main auxiliary additives are:

- ▣ Binding agents
- ▣ Fluidising agents



The chart below shows the main raw materials used by the Group in 2021. The chart reveals that most purchases are of clays and feldspars. Since 2019, the Group has reduced the purchase of spray-dried powders to zero.



raw materials used in 2021

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.

In the Italian Business Unit, **in terms of packaging for ceramic, all wood is purchased from PEFC or FSC certified suppliers, about 70% of purchased paper and cardboard is recycled and the plastic used contains 70% recycled material** (a marked increase over the previous year, 35%, thanks to the valuable cooperation with qualified suppliers). 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 scope, the U.S. Business Unit used more than 4,000 tonnes of renewable material for its packaging in 2021, including 1,000 tonnes of PEFC- or FSC-certified corrugated cardboard. While Gres Panaria Portugal used 1,149 tonnes of corrugated cardboard for FSC-certified packaging, a quantity representing 92% of the total packaging.

5 /4

The production process

The first phase of the production process is the delivery and 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 porcelain 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 in the U.S., 100% of fired waste is reintroduced into the ceramic mixture. In Portugal, the Aveiro plant has started to progressively recover fired waste, reaching around 60%, while feasibility studies are under way at the Ílhavo plant, in order 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

Energy and emissions

Panariagroup plants mainly use electricity, natural gas and diesel. In 2021, the Group consumed a total of 3,441,263 GJ of energy, an increase of 21% compared to the previous year, of which 1,480 GJ was from renewable sources and 3,439,783 GJ from non-renewable sources. Compared to 2020, increases were recorded in relation to the purchase of electricity, fuel consumption for industrial vehicles, LPG consumption and natural gas consumption, while the amount of fuel used for the car fleet remained almost unchanged. The main changes compared to the previous year reflect the COVID-19 health emergency scenario, which led the Group, for several weeks in 2020, to temporarily 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.

Although impacted by the effects of the health emergency, the figures directly reflect the efficiency improvement measures carried out by Panariagroup over the years, which have made it possible to consolidate an operational efficiency that enables the Group to maintain constant energy performance, **confirming its focus on monitoring and minimizing environmental impacts, particularly those related to energy consumption and emissions.**

energy intensity¹⁰

year	u.m.	index
2020	GJ/m ²	0.140
2021	GJ/m ²	0.141

emission intensity¹⁰

year	u.m.	index Scope 1 + Scope 2 (Location based)	index Scope 1 + Scope 2 (Market based)
2020	tCO ₂ /m ²	0.009	0.009
2021	tCO ₂ /m ²	0.009	0.010

10. The intensity values are calculated based on the m² of tiles produced during the year, which amounted to 24,365,161 m² in 2021 and to 20,179,156 m² in 2020.

Panariagroup constantly invests in **improving energy efficiency in its production 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 CO2 emitted during production**, as per Directive 2009/29/EC. Consequently, direct emissions related to the production activities of the Group's European plants are fully offset through the return of representative CO2 emission allowances to the European Union.

129

tCO₂

Emissions avoided in 2021 thanks to the photovoltaic systems at Fiorano Modenese, Finale Emilia and Sassuolo

3,441,263

GJ

Total energy used by the Group in 2021

Three photovoltaic systems were installed at the Italian plants of Finale Emilia, Fiorano Modenese and Sassuolo, respectively 450 kWp with a surface of 4,200 m², 85 kWp with a surface of 1,000 m², 19.5 kWp with a surface of 220 m², enabling them to produce electricity for internal consumption and to reduce CO₂ emissions. Thanks to these plants, **the Group avoided the emission of 129 tonnes of CO₂¹¹ in 2021**, a figure 15% lower than in 2020 due to maintenance interventions carried out on the plants, which led to partial operation during certain periods, as well as to the loss of their “structural” efficiency, for which the Group is taking action with targeted investments.

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 kilns inside the spray-drying plants, 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 plants and to its very high durability.

In 2019, Panariagroup carried out an energy audit of its Italian plants, in order to comply with the requirements of Legislative Decree no. 102/2014. The next energy audit is scheduled for 2023. This systematic procedure is designed to provide an adequate knowledge of the energy consumption profile of an industrial plant, to identify and quantify cost-effective energy saving opportunities and to report on the results. The audit, besides being a mandatory service for the parties involved, is useful for customers in determining recommendations for the reduction of energy consumption. It aims to assess the presence and technical and economic feasibility of interventions to reduce this consumption.

Atmospheric emissions are a significant environmental aspect for Panariagroup’s business. In fact, the production process and the 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 increase in the consumption of natural gas and fuel for industrial vehicles and the car fleet, with LPG consumption virtually unchanged, was matched by an increase in direct greenhouse gas emissions in 2021, compared to 2020, as well as by indirect greenhouse gas emissions associated with the purchase of electricity. 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 electricity generation energy mixes. 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 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, please refer to the relevant tables in the “Appendix” section).

11. The avoided CO₂ emissions were calculated with the Location-based method (Emission factor source: Terna, Confronti Internazionali, 2019 with emission factor gCO₂/kWh for Italy).

166,815

tCO₂e

Direct emissions in 2021
(135,989 tCO₂e in 2020)

51,182

tCO₂

Location-based indirect emissions
in 2021 (49,629 tCO₂ in 2020)

68,105

tCO₂

Market-based indirect emissions
in 2021 (55,190 tCO₂ in 2020)

Compared to 2020, the Group's direct and indirect emission figures showed an increase due to the impact of COVID-19 on production in the previous year and the return to high production levels.

Furthermore, 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 a reduced use of energy and has a lower environmental impact.

Comparing the emissions impact of laminated porcelain stoneware and porcelain stoneware, **a significant reduction in the CO₂ emitted into the atmosphere¹² can be observed.**

12. Values obtained from the processing 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

Water is an essential component of the ceramic production cycle and in Panariagroup's plants water use is mostly concentrated in the phases of wet milling 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. The production plants are supplied with groundwater from the wells. Drinking water, which comes from the water supply networks, is mainly used for civil services in both logistics centres and production plants.

The water used in the production process is entirely reused, which means that the Group has no wastewater from production.

In terms of water resource management, **the Group has always focused on minimizing the environmental impact of its production activities and its water withdrawal has remained fairly stable compared to the previous year.** In 2021, the total water withdrawal from production sites was just over 485 megalitres, an increase of 18% compared to 2020, as highlighted in the data in the "Appendix" section of this document, an increase caused by the plant shutdown during the national lockdown period in 2020.

Starting from 2019, **Panariagroup monitors the location of its production plants in relation to water stress areas**, i.e. areas of land that cannot meet water demand, both human and ecological. Water stress may refer to water availability, quality or accessibility. In order to identify areas potentially exposed to water risk, in line with GRI reporting standards, **the Group used the "Aqueduct Water Risk Atlas" tool**, developed by the World Resources Institute. The analysis showed that none of **Panariagroup's 6 production plants are located in water-stressed areas.**

Panariagroup has also identified and evaluated environmental aspects and risk factors, including those related to water resources, **using a special index - Significance Index - according to a methodology developed by the company** and reported in the EMAS Environmental Declarations, prepared annually by the Group for its European production sites. The company is committed to constantly monitoring environmental performance linked, among other things, to the Significance Index, with a view to continuous improvement.



Finally, it is important to highlight how **the Panariagroup production plants in Italy and in the U.S. 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 this is reused within processes, thanks to specific water recovery technologies, which will result in the reuse of over 430,000 cubic metres by 2021 (Group consolidated figure).

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 which, therefore, is 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.

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 2021, the Group produced 79,765 tons of waste, of which 325 tons were hazardous waste (0.4% of the total).

2021				
waste ¹³	Italy	Portugal	US	total
Recovered/recycled (t)	56,777	21,623	105	78,506
Disposal (t)	311	10	938	1,259
Total (t)	57,089	21,633	1,044	79,765
of which hazardous	306	19	-	325
% hazardous waste	0.54%	0.1%	0.0%	0.41%

During 2021, the Group continued to focus on waste recovery, a commitment that in 2021 led Panariagroup **to recover a total of 78,506 tonnes of waste, accounting for 98.4% of total waste produced**, a 1% increase in recovered waste compared to 2020. In terms of production waste, which accounts for about 80% of total waste, the percentage of waste recovered was almost 100%; all the Group's plants recover 100% of the raw waste, amounting to about 44 thousand tonnes, which is then reintroduced into the production process. In the Italian and U.S. plants, 100% of the fired waste, amounting to about 21,000 tonnes, is reintroduced into the ceramic mixture. The figure also takes into consideration the Portuguese plant in Aveiro, where work is being done to gradually reach the recovery percentage of the aforementioned plants.

All data on waste management is shown in the "Appendix" section of this document.

13. Details on the type of disposal are currently unavailable. In the coming years, the Group will further develop its data collection process, in order to provide this information in the future editions of the Sustainability Report.

In 2021, there was an increase in waste production compared to 2020, equal to 23%, also attributable to the resumption of production at full capacity.

The Finale Emilia plant is undergoing extensive plant renovation and at this stage it has not been possible to extend the recovery of sewage sludge as was done at the Toano plant. At the latter plant, again in 2021 the as-is recovery of production wastewater resulted in no ceramic sludge being disposed of externally. In the absence of this intervention, wastewater from departments for the preparation of mixtures, grinding and glazing are sent to a physical-chemical purifier that produces purified water, subsequently used in production, and ceramic sludge which, once filter-pressed, are sent away for recovery. Plant modification requires wastewater to be collected in a tank positioned in the mixture preparation department and is recovered as it is in wet milling inside the continuous drum mills, bypassing the purification stage. This intervention has 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 intervention to the Group's other production plants.

0.41

%

Percentage of hazardous waste compared to the total waste produced by the Group in 2021 (0.29% in 2020)

79,765

tonnes

Waste produced by the Group in 2021 (65,890 tonnes in 2020)

98.4

%

Percentage of waste sent for recovery compared to the total waste produced by the Group in 2021 (98% in 2020)

5/8

Packaging

For some time, the Group has paid **close attention to reducing the environmental impact in the packaging system through** a careful approach to purchasing recycled material and efficient use of resources in the packaging process, thanks to the company's ongoing investment across all production sites in Italy and abroad in **the use of automatic boxing machines** in the sorting lines within the production process.

These machines enable optimisation of the use of cardboard during the packaging process thanks to the use of thinner paper and cardboard and to waste reduction: 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.

Despite significant difficulties in sourcing packaging materials at a time of great uncertainty, the Group managed to maintain good sustainable procurement practices and during 2021 the Italian Business Unit purchased:

- 80% of recycled plastic for industrial use, an increase over 2020 that confirms the improving trend compared to previous years (79% in 2020 and 2019, 72% in 2018, 57% in 2017 and 40% in 2016);
- 70% of recycled paper and cardboard used for product packaging;
- 100% of wood for storage and material handling from PEFC or FSC certified suppliers.

Panariagroup is also committed to the **recovery of waste materials that are reused by the market**. To this end, the plastic used to package the tile pallets is duly recovered through specialised suppliers and returned to the production cycle with the "GREEN Packaging" logo, ensuring that waste is fully traceable for the company and the customer.



6



social
responsibility

Staff, their well-being, their growth and their professional development continue to be our absolute priority and the key to our success.

Similarly, we support the local areas in which we operate by making extensive use of local suppliers and developing activities that actively contribute to the growth of the community.

The chapter's material topics

Health and safety in the workplace

Employee training and development

Well-being and responsibility towards employees

Responsible supply chain management

Our contribution to the SDGs



in evidence

One priority: our employees' health

1,800

In 2021, we offered our employees over 1,800 medical visits.

Our flexible work model

185,000

In 2021, our employees used over 185,000 hours of smart working.

Safety first

<30

We pay great attention to the safety of our staff.
The number of accidents among our employees remained below 30 per million hours worked.



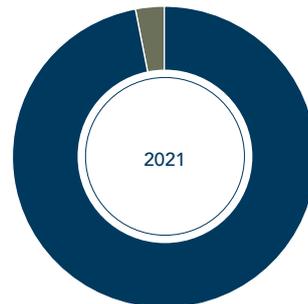
Our employees

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 employees, 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.

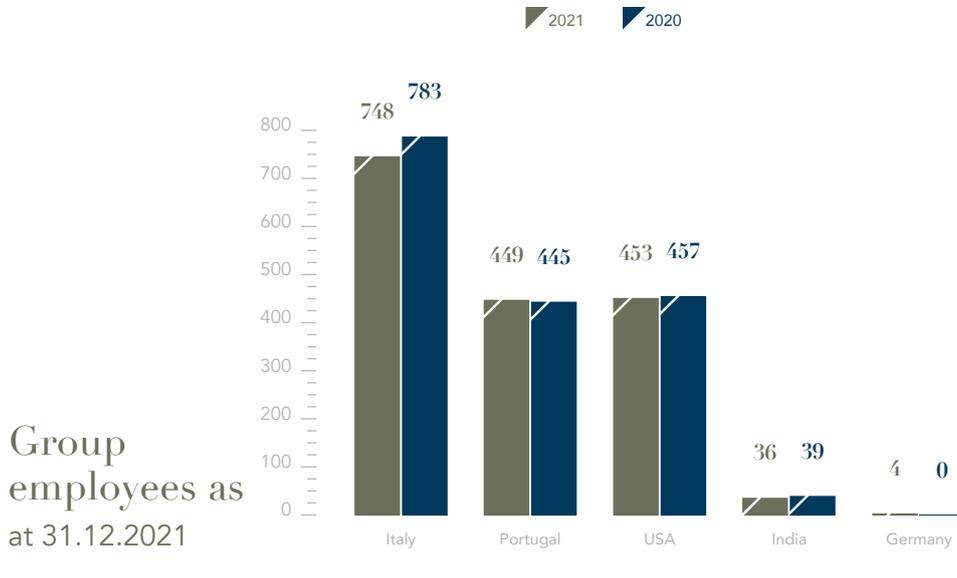
Group employees by contract type as at 31.12.21

97% permanent contract
3% fixed-term contract



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 at 31 December 2021, the Group employed 1,690 employees, with 34 less new hires compared to the previous year.



In light of a slightly decreasing workforce, **the Group's turnover between 2020 and 2021 remained almost stable.**

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 plants, 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.

With regard to the diversity management strategy, **people who are legally recognised as disabled are strongly integrated.** The careful evaluation, during the induction stage, of the position and tasks most suited to the person and their skills and the identification of a suitable tutor, allows these workers to make a real contribution to corporate life and to effectively improve their skills, relationships and self-image. A careful approach to their integration, their protection and above all their development has important repercussions on the workers themselves, on their families and, more generally, on the social fabric.

In the U.S. Business Unit, 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 2021, as in 2020, the Group did not detect any incidents of discrimination based on race, colour, sex, religion, political views, national descent or social origin.

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 2021, there were 10 parental leaves, all 10 taken by female employees. The rate of return from leave for 2021 was 100%, in line with the Group’s retention rate, calculated as the number of employees who took leave and are still company employees 12 months on, which stands at 100%.

Flexible work arrangements obviously received a particular boost in 2021 due to the constraints imposed by the COVID-19 pandemic: remote smart working was introduced for a considerable proportion of the company’s employees, who were therefore able to safely continue their work. The increased use of this work organisation method has allowed function managers to become more focused on goals. In this sense, the pandemic situation has had the unexpected benefit of familiarising employees with less commonly used organisational methods, meeting their needs and providing them with a different, richer perspective on how their work performance is evaluated. Flexible work through smart working also continued in 2021 in a more structured way than in the previous year, but alternated with a gradual return to attendance, partly in order to facilitate employees’ needs.

In 2020, an important project initiated in the previous year was followed up: **the employee survey** on the Italian and Portuguese Business Units, **which provided important evidence that made it possible to implement specific improvement actions.** This included structuring and enhancing the company’s internal communication process, in order to make certain important organisational and operational communications clearer and more efficient for all of the staff.

Great attention and emphasis is always placed on **employee welfare initiatives:** packages of benefits and services that the company updates and offers to the employees. Specifically, the Portuguese Business Unit remained particularly active, implementing improved health insurance coverage for employees, as well as favourable financial conditions for communication services (telephone and TV). The welfare and personal care model implemented by Panariagroup has been cited, together with other illustrious companies, by the authoritative guide “Welfare aziendale. Secondo welfare, novità, gestione e buone pratiche” edited by Prof. Tiziano Treu, further confirming the Group’s commitment to social responsibility, recognised as one of the fundamental values of its business model.

Another important reflection of employment stability relates to **flexibility in career planning**. Career development within Panariagroup is conducted in harmony with the life stages of the employees and their related needs; in agreement with the employee, therefore, transitions from part-time to full-time work and vice versa are also facilitated. As at 31 December 2021, 53 people were working on part-time contracts, a figure roughly in line with 2020.

With regard to remuneration, the Group strongly endorses fair salaries for its employees, in line with local legislation.

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 2021, the Group recorded a collective bargaining coverage rate of 71%, in line with previous years. In particular in Italy, where this percentage stands at 100%, over the years supplementary corporate-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.





sustainability
fact

people

We believe in **stable relationships**
with our employees: **97%** of our
employment contracts are permanent.



Training and development

Employee training and development is an issue that both the Group and its stakeholders consider relevant. Education and professional development are fundamental aspects for Panariagroup, with the aim of developing the skills and increasing the knowledge of its staff, as well as of ensuring compliance with national legislation and occupational safety.

Training activities are not perceived by the Group as a mere legal obligation, but as something beneficial to the corporate organisation. 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 of the various areas, since they 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 events are planned and implemented, in order to improve management skills.

The total hours of training provided by the Group in 2021 amounted to 7,991, up 24% from 2020, of which 5,597 were provided to men and 2,394 to women, with a per capita Group average of 5. The 2021 figures reflect a slight recovery after the year of the COVID-19 health emergency that affected all the Group's Business Units, in which the transition to smart working, new organisational requirements and internal priorities meant that it was not possible to guarantee training in line with that of the previous year.

With regard to the Italian Business Unit, several specific training and refresher initiatives were carried out in 2021. The first one saw the Group actively participate in the creation of an "end-of-line" training module within the ITS Impianti Ceramici course, organised by the Confindustria Ceramica training area and ITS Maker. This course started in late 2021 and over the next few years those who take the course will be given the opportunity to do an internship within the Group.

The second one entailed the continuation of "Management Meetings", periodic meetings of the community of Panariagroup managers who gather to share corporate results and strategies, as well as testimonials from important external speakers.

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

Despite the difficulties of the new health emergency scenario, **the planning and provision of safety courses continued in all its forms in 2021** and, similarly, in the production departments, the practice of mentoring new employees for a minimum period of two weeks, a central aspect for those entering the world of Panariagroup, continued. During this training period, employees, in addition to practices in compliance with legal obligations, have an opportunity to learn the basic rules and behaviours for occupational safety, gradually familiarizing themselves with the machinery and current procedures. In the production departments, including during the pandemic, training was conducted that especially focused on understanding the operation of new machinery and tools.

2021 also saw the continuation of information initiatives for employees relating to the issue of Sustainability, through the sending and distribution of a periodic newsletter.

With regard to the U.S. Business Unit, the Learning Management System continued to be used in 2021 to enhance the training system with thousands of free courses available to employees, including those created by internal staff; these include issues related to employee health and well-being. The introduction of this system was critical, especially in the year of the pandemic, since many of the courses were taught online to address the need for social distancing.

Courses for new hires, covering issues such as health, safety and the environment, were offered online through the Paycor platform, an innovation that added an important degree of flexibility in how staff could access them. Training requirements are annually reviewed by the U.S. Business Unit to ensure that all employees are properly and adequately trained. "Ergonomic training" is also offered in the plants and at Florida Tile stores to reduce the injury rate and lost day rate, as well as specific training for the use of processing machinery with the goal of reducing accidents and possible damage caused by incorrect use.

With regard to the Portuguese Business Unit, 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, a major skills management and development plan was completed in 2020 and applied in 2021: this dynamic process outlines the combination of knowledge, skills and attitudes required to achieve high job performance. Identifying skills enables employees to achieve greater autonomy in their day-to-day lives, creates a common language and commitment to strategy and business, and simplifies the process of changing and adapting staff to new practices, values and technologies.

The model implemented by Gres Panaria Portugal identifies the specific skills required for each department, defined as a set of standard procedures that the operator must be able to independently carry out in order to correctly perform their work. Every employee is therefore assigned a level that ranges from 0 (training period) to 5 (leadership skills). The skill level evaluation is carried out on an annual basis and involves the supervision of the department manager with the support of a figure from the Quality, Environment and Safety Area.

The skills management and development system makes it possible to implement more targeted recruitment and selection processes, to more accurately identify the training needs of employees, to integrate performance evaluation processes, to facilitate comparison between different skill profiles and to identify employees with leadership skills.

Portugal also saw the launch of the “Welcome to GPP” project: a format designed to welcome new employees featuring a presentation of the company and all the information and references needed to start developing knowledge and a sense of belonging.

In 2021, programs continued with the goal of qualifying the population, aimed at improving their education and training, contributing to the improvement of their qualification levels and employment status. Gres Panaria Portugal wants to offer the opportunity to increase and develop skills through qualified training. To this end, in collaboration with specialised training centres, 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.





Health and safety in the workplace

Panariagroup, paying great attention to health and occupational safety issues, 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 considered 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 ISO 14001 standards, EMAS Regulation and the UNI INAIL Guidelines with the aim of developing and implementing internal procedures aimed at preventing, monitoring and managing occupational accidents and injuries. The main mechanisms adopted are:

- a protocol on the reduction of accidents;
- a list of best practices aimed at avoiding exposure to situations considered dangerous for certain work processes;
- the arrangement of meetings between the main health and safety representatives (RSPP, RLSSA and competent doctor), in order to evaluate the negative impacts of certain processes 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 plants constantly informed;
- an occupational Risk Evaluation Document, prepared in accordance with the requirements of Legislative Decree no. 81/08.

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

The Italian Business Unit reported a recordable occupational accident rate of 35.2 for its employees in 2021 (in 2020 the rate was 26.5).

With regard to Portugal, the Margres and Love Tiles plants have implemented an integrated Quality, Environment, Health and Safety system, certified according to ISO 9001, ISO 14001 and EMAS. The safety management system follows the principles of the relevant management standard (currently ISO 45001). The main management tools are:

- workers' representatives for occupational health and safety (Law 3/2014);
- an internal procedure for analysing occupational risks;
- a program to improve occupational health and safety conditions;
- programs to promote employee health;
- internal training on occupational health and safety;
- technical advice on occupational health and safety;
- monitoring of occupational risk factors for noise and inhalation 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;
- occupational medical and nursing services (Law 3/2014);
- procedure for the control of external service suppliers with regard to social aspects and occupational health and safety.

In 2021, the Portuguese company improved its recordable occupational accident rate for its employees to 23 (in 2020 the rate was 28.5).

With regard to the U.S. 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 processes in the various departments.

According to guidelines based on, among others, OSHA, NIOSH and ANSI standards, the main management tools include internal procedures for analysing occupational risks, programmes for improving occupational health and safety conditions, promoting employee health and safety, including through the provision of occupational medical and nursing services and specific training on these issues.

Regular meetings are also held with the aim of sharing correct procedures and behaviour among all employees and collecting reports in order to improve the working environment and occupational safety.



The U.S. Business Unit also offers its employees a free care program, which can help them cope with mental and physical well-being, and has provided a doctor who gives advice not only on work-specific illnesses, but also regarding any need that each employee may have. The focus on occupational health and safety was even more important in the year of the pandemic, when the company offered and continues to offer its employees psychological support, as well as addressing work-life balance issues.

In previous years and before COVID-19, employees sponsored on-site health and wellness fairs in Lawrenceburg, an activity that will be vigorously resumed as soon as possible.

Finally, with regard to the U.S. scope, the work of the "Safety Team" continued in 2021 with the aim of facilitating workers participation and consultation in the development, implementation and evaluation of the occupational health and safety management system, and in order to provide access to and communicate relevant information on occupational health and safety; the team meets about once a month. **The Group constantly monitors accident rates and acts decisively to raise staff awareness through training** and internal communications on aspects of occupational safety 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 this respect, the U.S. Business Unit achieved a recordable occupational accident rate of 22.0 for its employees in 2021, a slight increase on the previous year (18.9).

In the Italian plants, following the update of the Health and Safety Risk Evaluation Document, no urgent and immediate occupational risk situations were detected. Risk analysis of the plants is constantly updated, in order to promptly manage occupational safety and hygiene problems.

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 includes, whenever a new raw material is used, **a request to the suppliers for a safety protocol indicating all the material's toxicological features.** 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.**

In order to demonstrate the Group's attention to employee health and safety, each plant has a list of operational safety instructions, describing the correct procedures for performing the most dangerous operations in the vicinity of the machinery.

26.9

**Recordable occupational
accident rate - employees**

23.8 in 2020

47.8

**Recordable occupational
accident rate - contractors**

77 in 2020



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 behaviours at each 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 U.S., Florida Tile has demonstrated active commitment through donations and solidarity activities to support hospitals, associations for the protection of disadvantaged categories 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 caregivers.

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.

Finally, the company joined a **project to relaunch an important cultural institution in the district of Sassuolo: together with other important companies in the area, Panariagroup is one of the promoters of the recovery of the Carani Theatre**, a historical institution with a long tradition, with the aim of returning a very important cultural asset to the local community.

176,000

euros

value of money and products
donated to local communities
by the Group in 2021.



Responsible supply chain management

The Panariagroup Group 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.

In 2019, the Group developed a process to analyse its supply chain based on environmental, social and governance criteria, dividing its suppliers into clusters on the basis of a number of variables that identify their potential risk profile and their strategic importance for Panariagroup. This process was initially developed for the Italian scope, but it was extended to the Portuguese Business Unit in 2020. The Group thus identified the suppliers that most expose the company to indirect risks and committed to setting up a uniform system for evaluating and monitoring measures adopted in relation to environmental, social, governance and quality aspects.

In the Italian Business Unit, the evaluation reached 82% of the suppliers concerned and the suppliers belonging to the cluster with the highest importance and risk profiles consistently scored above 75/100, demonstrating a rather developed sensitivity to ESG issues. In Portugal, where the first evaluation process was completed in 2020, 93% of the suppliers obtained a rating higher than "good" and, in general, the overall analysis of the results for all evaluation criteria enabled us to conclude that Gres Panaria Portugal's suppliers have, on average, a good overall rating.

The Group started this project focusing on the most significant suppliers with which it had a commercial relationship: any new suppliers belonging to the identified product categories are added to the initial list on an annual basis, while the extension of the analysis to new relevant product classes is currently being evaluated. Since this is an initial process that is still under development, no evaluations of new suppliers based on sustainability criteria (social and environmental) were carried out in 2021.

The Group's suppliers¹⁴ 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.

14. 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 have been excluded from the calculation.

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, Social and Governance Policies;
- occupational 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.

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 231/01 Organization and Management Model and whose compliance by the supplier is verified by on-site visits carried out by the Group's Purchasing function. Specifically, **particular importance is given to suppliers of raw materials**, both because they are considered to be the Group's main suppliers and because of the type of processing, since mining is an activity with a significant environmental impact.



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 by 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.

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 U.S., moreover, the Group added specific sustainability clauses linked to environmental and social aspects to the supply contracts.

Panariagroup recognizes the importance of supporting and developing the local economy. In this regard, the tables in the "Appendix" section of this document show the expenditure on local suppliers, which for 2021 accounted for 89% of total expenditure (89% in 2020).



15. "Local suppliers" were considered to be those suppliers with a registered office in the country in which each Business Unit 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 problems with the extracting process or to international tensions (conflicts, change in the cost of transportation due to changes in the value of oil, exchange rates and so on). This is one of the reasons why **the Panariagroup Group laboratories and technicians constantly research alternative raw materials.** The composition of the mixture and transport methods are therefore based on a number of different channels (quarries in different geographical areas, several supply channels, use of different transport methods), so that different solutions can be used depending on the different problems that may arise. In this regard, it should be noted that the worsening of the crisis in Ukraine with the consequent outbreak of the conflict with Russia has caused the cessation of supplies from this country: clay from Ukraine (about 75,000 t/year out of a total of 136,000 t/year of clay used by the Italian BU) is therefore being replaced, as stocks are depleted, with alternative raw materials, mainly from Europe (Germany, Portugal, Turkey, etc.). To date, the Group is continuing to search for and test raw materials from various sources to find the best solution for the mixture, both from a technical and commercial standpoint and in terms of long-term sustainability.

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. In addition to the Environmental Impact Assessment, Panariagroup also requires mining authorisation and documentation with the geographical coordinates of the sites. Production of this documentation accounts for 75% of the evaluation within the "Environmental" section. From a social perspective, moreover, it should be noted that none of the raw materials purchased by the Group are linked to "conflict minerals".

7



attachments



Environmental data

For 2021, the scope of the environmental data refers to the Group companies that operate production sites. Companies with only commercial offices, Gres Panaria Central Europe GmbH and Montanari Ceramiche S.r.l., are excluded, since they are not considered relevant to an understanding of the Group's business activities and the impact of its products.

ENERGY CONSUMPTION

Total energy consumption by source (renewable and non-renewable)¹⁶

	2020				2021			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Total energy consumption (GJ)	1,423,001	846,987	564,401	2,834,390	1,815,101	1,030,839	595,323	3,441,263
of which:								
from renewable sources (GJ)	1,734	-	-	1,734	1,480	-	-	1,480
from non-renewable sources (GJ)	1,421,267	846,987	564,401	2,832,655	1,813,621	1,030,839	595,323	3,439,783

Total energy consumption by type¹⁶

	2020				2021			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Total energy consumption (GJ)	1,423,001	846,987	564,401	2,834,390	1,815,101	1,030,839	595,323	3,441,263
of which:								
electricity purchased (GJ)	243,150	160,971	110,695	514,816	295,694	183,421	108,743	587,858
electricity self-generated from renewable sources (GJ)	1,734	-	-	1,734	1,480	-	-	1,480
natural gas (GJ)	1,158,330	678,675	451,333	2,288,338	1,494,548	839,748	483,902	2,818,197
LPG (GJ)	-	67	535	601	-	75	662	737
diesel for industrial vehicles (GJ)	12,285	2,220	1,696	16,201	14,832	2,676	1,809	19,317
petrol for industrial vehicles (GJ)	-	-	-	-	-	-	-	-
diesel for car fleet (GJ)	7,404	5,055	-	12,459	8,374	4,300	-	12,674
petrol for cat fleet (GJ)	98	-	141	239	174	619	207	1,000

16. It should be noted that, following an improvement in the U.S. Business Unit's reporting system for LPG, the 2020 energy consumption figure has been restated from the figure published in the previous Sustainability Report. For the previously published data, please refer to the 2020 Sustainability Report, which can be found in the Sustainability section on www.panariagroup.it

EMISSIONS

Total direct and indirect emissions¹⁷

	2020				2021			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Direct emissions - Scope 1 (tCO ₂ e) Energy	66,919	38,906	25,682	131,508	85,926	47,895	27,461	161,282
Direct emissions - Scope 1 (tCO ₂ e) Raw material processing ¹⁸	768	3,453	293	4,515	674	4,435	424	5,533
Direct emissions - Scope 1 (tCO ₂ e) Total	67,687	42,360	25,976	136,023	86,600	52,330	27,885	166,815
Indirect emissions - Scope 2 (tCO ₂) - Location-based ¹⁹	22,694	14,666	12,269	49,629	25,873	14,011	11,297	51,181
Indirect emissions - Scope 2 (tCO ₂) - Market based	31,474	11,447	12,269	55,190	37,701	19,106	11,297	68,104

NO_x, SO_x and other pollutant emissions

	2020	2021
	t/year	t/year
NO _x	102	118
SO _x	20	14
Persistent organic pollutants (POPs)	-	-
Volatile organic compounds (VOCs)	70	71
Hazardous air pollutants (HAPs)	3	3
Particulate matter (PM)	53	57
Other emission standard categories identified in the applicable legislation	39	38

Conversion factors

	2020	2021
LOWER CALORIFIC VALUE OF FUELS	LCV	LCV
Natural gas (GJ/m ³)	0.036	0.036
LPG (GJ/ton)	45.94	45.94
Diesel (GJ/ton)	42.64	42.47
Petrol (GJ/ton)	43.83	43.80
Source	UK Government GHG conversion factors for company reporting, 2020	UK Government GHG conversion factors for company reporting, 2021

17. It should be noted that, following an improvement in the U.S. Business Unit's reporting system for LPG, the 2020 figure for direct emissions – Scope 1 has been restated from the figure published in the previous Sustainability Report. For the previously published data, please refer to the 2020 Sustainability Report, which can be found in the Sustainability section on www.panariagroup.it

18. The figure for Scope 1 direct emissions from the raw material firing process takes into consideration the carbonates contained in the clay, feldspar, sand and zirconium/bleaching agents. The figure for the U.S. Business Unit is estimated based on the European parameters already used for the Italian and Portuguese Business Units.

19. The emission factors reported by Terna, Confronti Internazionali version 2018 and 2019, and by AIB, European Residual Mix version 2020, are expressed in tons of CO₂; however the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas (CO₂e) emissions, as can be inferred from the relevant technical literature.

Emission factors

2021						
	Electricity (gCO ₂ /kWh) - Location based ¹⁹	Electricity (gCO ₂ /kWh) - Market based ¹⁹	Natural gas (tCO ₂ e/m ³)	LPG (tCO ₂ e/ton)	Diesel (tCO ₂ e/ton)	Petrol (tCO ₂ e/ton)
Italy	315	459				
Portugal	275	375	0.002	2.939	2.969	2.948
US	374	374				
Source	Terna, Confronti Internazionali, 2019	AIB, European Residual Mix 2020 for Italy and Portugal, Terna Confronti Internazionali, 2019 for US	UK Government GHG conversion factors for company reporting, 2021	UK Government GHG conversion factors for company reporting, 2021	UK Government GHG conversion factors for company reporting, 2021	UK Government GHG conversion factors for company reporting, 2021

2020						
	Electricity (gCO ₂ /kWh) - Location based ¹⁹	Electricity (gCO ₂ /kWh) - Market based ¹⁹	Natural gas (tCO ₂ e/m ³)	LPG (tCO ₂ e/ton)	Diesel (tCO ₂ e/ton)	Petrol (tCO ₂ e/ton)
Italy	336	466				
Portugal	328	256	0.002	2.939	3.029	2.942
US	399	399				
Source	Terna, Confronti Internazionali, 2019	AIB, European Residual Mix 2019 for Italy and Portugal, Terna, Confronti Internazionali, 2018 for US	UK Government GHG conversion factors for company reporting, 2020	UK Government GHG conversion factors for company reporting, 2020	UK Government GHG conversion factors for company reporting, 2020	UK Government GHG conversion factors for company reporting, 2020

19. I fattori di emissione riportati da Terna, Confronti Internazionali versione 2018 e 2019, e da AIB, European Residual Mix versione 2020, sono espressi in tonnellate di CO₂, tuttavia la percentuale di metano e protossido di azoto ha un effetto trascurabile sulle emissioni totali di gas serra (CO₂e), come desumibile dalla letteratura tecnica di riferimento.

WATER AND WASTEWATER

Water withdrawal

WITHDRAWAL SOURCE (ML)	2020		2021	
	All areas	Water-stressed areas	All areas	Water-stressed areas
ITALY				
Surface water	-	-	-	-
Groundwater	152	-	188	-
of which fresh water (≤1,000 mg/l total dissolved solids)	152	-	188	-
Seawater	-	-	-	-
Water produced	25	-	33	-
of which fresh water (≤1,000 mg/l total dissolved solids)	25	-	33	-
Third-party water resources	14	-	15	-
of which fresh water (≤1,000 mg/l total dissolved solids)	14	-	15	-
Total water withdrawal	191	-	236	-
PORTUGAL				
Surface water	-	-	-	-
Groundwater	154	-	179	-
of which fresh water (≤1,000 mg/l total dissolved solids)	154	-	179	-
Seawater	-	-	-	-
Water produced	18	-	23	-
of which fresh water (≤1,000 mg/l total dissolved solids)	18	-	23	-
Third-party water resources	5	-	5	-
of which fresh water (≤1,000 mg/l total dissolved solids)	5	-	5	-
Total water withdrawal	177	-	207	-
US				
Surface water	-	-	-	-
Groundwater	-	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Water produced	-	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	-	-	-	-
Third-party water resources	45	-	43	-
of which fresh water (≤1,000 mg/l total dissolved solids)	45	-	43	-
Total water withdrawal	45	-	43	-
GROUP TOTAL				
Surface water	-	-	-	-
Groundwater	305	-	367	-
of which fresh water (≤1,000 mg/l total dissolved solids)	305	-	367	-
Seawater	-	-	-	-
Water produced	44	-	56	-
of which fresh water (≤1,000 mg/l total dissolved solids)	44	-	56	-
Third-party water resources	64	-	62	-
of which fresh water (≤1,000 mg/l total dissolved solids)	64	-	62	-
Total water withdrawal	413	-	485	-

Wastewater

DISPOSAL SITE (ML)	2020		2021	
	All areas	Water-stressed areas	All areas	Water-stressed areas
ITALY				
Surface water	-	-	-	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	-	-	-	-
Groundwater	-	-	-	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Third-party water resources	13	-	15	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	13	-	15	-
of which other types of water ($> 1,000$ mg/l total dissolved solids)	0.04	-	0.05	-
Total wastewater	13	-	15	-
PORTUGAL²⁰				
Surface water	55	-	53	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	55	-	53	-
Groundwater	-	-	-	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Third-party water resources	5	-	4	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	5	-	4	-
of which other types of water ($> 1,000$ mg/l total dissolved solids)	-	-	-	-
Total wastewater	60	-	57	-
US				
Surface water	-	-	-	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	-	-	-	-
Groundwater	-	-	-	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Third-party water resources	16	-	17	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	16	-	17	-
of which other types of water ($> 1,000$ mg/l total dissolved solids)	-	-	-	-
Total wastewater	16	-	17	-
GROUP TOTAL				
Surface water	55	-	53	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	55	-	53	-
Groundwater	-	-	-	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Third-party water resources	34	-	36	-
of which fresh water ($\leq 1,000$ mg/l total dissolved solids)	34	-	36	-
of which other types of water ($> 1,000$ mg/l total dissolved solids)	0.04	-	0.05	-
Total wastewater	89	-	89	-

20. It should be noted that, following an improvement in the Portuguese Business Unit's reporting system, the 55 ML reported as groundwater in the previous Sustainability Report was categorised as water discharged to the surface. For the previously published data, please refer to the 2020 Sustainability Report, which can be found in the Sustainability section on www.panariagroup.it.

WASTE

Waste by treatment method and composition²¹

WASTE COMPOSITION (t)	2021			
	IT	PT	US	TOTALE
Plastic	267	70	6	343
of which disposed	1	-	-	1
of which recovered	266	70	6	342
of which hazardous	-	-	-	-
Wood	514	141	13	668
of which disposed	-	-	-	-
of which recovered	514	141	13	668
of which hazardous	-	-	-	-
Paper	460	152	47	659
of which disposed	-	-	-	-
of which recovered	460	152	47	659
of which hazardous	-	-	-	-
Production waste	54,698	6,488		61,186
of which disposed	227	-	-	227
of which recovered	54,471	6,488	-	60,959
of which hazardous	227	-	-	227
Electronics and batteries	12	2	-	14
of which disposed	-	1	-	1
of which recovered	12	1	-	13
of which hazardous	10	1	-	11
Toners and varnishes	0.31	-	-	0.31
of which disposed	-	-	-	-
of which recovered	0.31	-	-	0.31
of which hazardous	-	-	-	-
Other waste	1,138	14,780	977	16,895
of which disposed	84	9	938	1,031
of which recovered	1,054	14,772	39	15,865
of which hazardous	69	18	-	87
Total waste produced	57,089	21,633	1,044	79,765
of which disposed	311	10	938	1,259
of which recovered	56,777	21,623	105	78,506
of which hazardous	306	19	-	325
% waste recovered	99.5%	99.9%	10.1%	98.4%
% hazardous waste	0.5%	0.09%	0.0%	0.4%

21. See footnote 13, p. 132 of this document.

Waste by treatment method and composition²²

WASTE COMPOSITION (t)	2020 ²³			
	IT	PT	US	TOTAL
Plastic	245	79	-	324
of which disposed	-	-	-	-
of which recovered	245	79	-	324
of which hazardous	-	-	-	-
Wood	479	117	-	596
of which disposed	-	-	-	-
of which recovered	479	117	-	596
of which hazardous	-	-	-	-
Paper	368	172	-	540
of which disposed	3	-	-	3
of which recovered	365	172	-	537
of which hazardous	-	-	-	-
Production waste	45,805	4,799	-	50,603
of which disposed	119	-	-	119
of which recovered	45,686	4,799	-	50,485
of which hazardous	119	-	-	119
Electronics and batteries	10	3	1	14
of which disposed	-	-	-	-
of which recovered	10	3	-	13
of which hazardous	8	-	1	9
Toners and varnishes	0.24	-	-	0.24
of which disposed	-	-	-	-
of which recovered	0.24	-	-	0.24
of which hazardous	-	-	-	-
Other waste	984	10,407	1,181	12,573
of which disposed	96	8	1,147	1,252
of which recovered	888	10,399	35	11,321
of which hazardous	43	20	-	63
Total waste produced	47,891	15,578	1,183	64,651
of which disposed	218	8	1,147	1,374
of which recovered	47,672	15,570	35	63,277
of which hazardous	170	20	-	190
% waste recovered	99.5%	99.9%	3.0%	97.9%
% hazardous waste	0.4%	0.13%	0.0%	0.3%

22. See footnote 13, p. 132 of this document.

23. It should be noted that, following an improvement in the U.S. Business Unit's reporting system for production waste, the 2020 waste figure has been restated from the figure published in the previous Sustainability Report. For the previously published data, please refer to the 2020 Sustainability Report, which can be found in the Sustainability section on www.panariagroup.it.

PRODUCTION

Surface area and weight of tiles produced

	2020				2021			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Surface area of tiles produced (m ²)	9,582,016	6,256,745	4,340,395	20,179,156	12,007,348	7,810,619	4,547,1943	24,365,161
Energy intensity (GJ/m ²)	0.149	0.135	0.130	0.140	0.151	0.132	0.131	0.141
Location-based emission intensity (tCO ₂ /m ²)	0.009	0.009	0.009	0.009	0.009	0.008	0.009	0.009
Market-based emission intensity (tCO ₂ /m ²)	0.010	0.009	0.009	0.009	0.010	0.009	0.009	0.010



Human resources data

For 2021, the scope of human resources data, including health and safety aspects, refers to Group companies using the full consolidation method in the consolidated financial statement. It should be noted that the Gres Panaria Central Europe GmbH company started active operations in 2021.

NUMBER OF EMPLOYEES

Number of employees by Country, gender and type of contract as at 31 December

	2020			2021		
	Men	Women	Total	Men	Women	Total
ITALY	569	290	859	600	296	896
Employees	514	269	783	489	259	748
Staff leasing workers	55	21	76	111	37	148
Apprentices	-	-	-	-	-	-
Interns/trainees	-	-	-	-	-	-
PORTUGAL	431	134	565	399	136	535
Employees	321	124	445	326	123	449
Staff leasing workers	110	9	119	73	13	86
Apprentices	-	-	-	-	-	-
Interns/trainees	-	1	1	-	-	-
US	333	132	465	331	128	459
Employees	325	132	457	326	127	453
Staff leasing workers	8	-	8	5	1	6
Apprentices	-	-	-	-	-	-
Interns/trainees	-	-	-	-	-	-
INDIA	37	5	42	31	8	39
Employees	35	4	39	29	7	36
Staff leasing workers	2	1	3	2	1	3
Apprentices	-	-	-	-	-	-
Interns/trainees	-	-	-	-	-	-
GERMANY	-	-	-	4	-	4
Employees	-	-	-	4	-	4
Staff leasing workers	-	-	-	-	-	-
Apprentices	-	-	-	-	-	-
Interns/trainees	-	-	-	-	-	-
GROUP TOTAL	1,370	561	1,931	1,365	568	1,933
Employees	1,195	529	1,724	1,174	516	1,690
Staff leasing workers	175	31	206	191	52	243
Apprentices	-	-	-	-	-	-
Interns/trainees	-	1	1	-	-	-

Number of employees by Country, gender and type of contract as at 31 December

	2020			2021		
	Men	Women	Total	Men	Women	Total
ITALY	514	269	783	489	259	748
Permanent employees	510	268	778	486	257	743
Fixed-term contract employees	4	1	5	3	2	5
PORTUGAL	321	124	445	326	123	449
Permanent employees	292	112	404	291	119	410
Fixed-term contract employees	29	12	41	35	4	39
US	325	132	457	326	127	453
Permanent employees	325	132	457	326	127	453
Fixed-term contract employees	-	-	-	-	-	-
INDIA	35	4	39	29	7	36
Permanent employees	35	4	39	29	7	36
Fixed-term contract employees	-	-	-	-	-	-
GERMANY	-	-	-	4	-	4
Permanent employees	-	-	-	4	-	4
Fixed-term contract employees	-	-	-	-	-	-
GROUP TOTAL	1,195	529	1,724	1,174	516	1,690
Permanent employees	1,162	516	1,678	1,136	510	1,646
Fixed-term contract employees	33	13	46	38	6	44

Number of Part-Time and Full-Time employees by gender as at 31 December

	2020			2021		
	Men	Women	Total	Men	Women	Total
ITALY	514	269	783	489	259	748
Full-time	507	224	731	482	218	700
Part-time	7	45	52	7	41	48
PORTUGAL	321	124	445	326	123	449
Full-time	321	124	445	326	123	449
Part-time	-	-	-	-	-	-
US	325	132	457	326	127	453
Full-time	324	131	455	321	127	448
Part-time	1	1	2	5	-	5
INDIA	35	4	39	29	7	36
Full-time	35	4	39	29	7	36
Part-time	-	-	-	-	-	-
GERMANY	-	-	-	4	-	4
Full-time	-	-	-	4	-	4
Part-time	-	-	-	-	-	-
GROUP TOTAL	1,195	529	1,724	1,174	516	1,690
Full-time	1,187	483	1,670	1,162	475	1,637
Part-time	8	46	54	12	41	53

Number of employees by employee category and gender as at 31 December

	2020			2021		
	Men	Women	Total	Men	Women	Total
ITALY	514	269	783	489	259	748
Senior manager	32	-	32	33	-	33
White-collar workers	165	109	274	158	111	269
Blue-collar workers	317	160	477	298	148	446
PORTUGAL	321	124	445	326	123	449
Senior manager	11	3	14	11	3	14
White-collar workers	43	59	102	39	61	100
Blue-collar workers	267	62	329	276	59	335
US	325	132	457	326	127	453
Senior manager	17	7	24	17	7	24
White-collar workers	92	104	196	90	94	184
Blue-collar workers	216	21	237	219	26	245
INDIA	35	4	39	29	7	36
Senior manager	2	-	2	2	-	2
White-collar workers	24	4	28	20	7	27
Blue-collar workers	9	-	9	7	-	7
GERMANY	-	-	-	4	-	4
Senior manager	-	-	-	1	-	1
White-collar workers	-	-	-	3	-	3
Blue-collar workers	-	-	-	-	-	-
GROUP TOTAL	1,195	529	1,724	1,174	516	1,690
Senior manager	62	10	72	64	10	74
White-collar workers	324	276	600	310	273	583
Blue-collar workers	809	243	1,052	800	233	1,033

Number of employees by employee category and age as at 31 December

	2020				2021			
	<30	30-50	>50	Total	<30	30-50	>50	Total
ITALY	38	412	333	783	28	390	330	748
Senior manager	-	15	17	32	-	13	20	33
White-collar workers	18	165	91	274	13	157	99	269
Blue-collar workers	20	232	225	477	15	230	211	446
PORTUGAL	41	247	157	445	39	243	167	445
Senior manager	-	10	4	14	-	9	5	14
White-collar workers	8	66	28	102	6	63	31	100
Blue-collar workers	33	171	125	329	33	171	131	335
US	82	229	146	457	76	221	156	453
Senior manager	-	14	10	24	-	14	10	24
White-collar workers	24	104	68	196	19	96	69	184
Blue-collar workers	58	111	68	237	57	111	77	245
INDIA	5	31	3	39	7	26	3	36
Senior manager	-	1	1	2	-	1	1	2
White-collar workers	2	24	2	28	4	21	2	27
Blue-collar workers	3	6	-	9	3	4	-	7
GERMANY	-	-	-	-	1	1	2	4
Senior manager	-	-	-	-	-	-	1	1
White-collar workers	-	-	-	-	1	1	1	3
Blue-collar workers	-	-	-	-	-	-	-	-
GROUP	166	919	639	1,724	151	881	658	1,690
Senior manager	-	40	32	72	-	37	37	74
White-collar workers	52	359	189	600	43	338	202	583
Blue-collar workers	114	520	418	1,052	108	506	419	1,033

Number of protected class employees by category and gender as at 31 December²⁴

	2020			2021		
	Men	Women	Total	Men	Women	Total
ITALY	21	12	33	19	13	32
Senior manager	-	-	-	-	-	-
White-collar workers	2	2	4	2	2	4
Blue-collar workers	19	10	29	17	11	28
PORTUGAL	-	-	-	-	-	-
Senior manager	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-
U.S.	5	1	6	5	3	8
Senior manager	-	-	-	-	-	-
White-collar workers	-	1	1	1	3	4
Blue-collar workers	5	-	5	4	-	4
INDIA	-	-	-	-	-	-
Senior manager	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-
GERMANY	-	-	-	-	-	-
Senior manager	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-
GROUP TOTAL	26	13	39	24	16	40
Senior manager	-	-	-	-	-	-
White-collar workers	2	3	5	3	5	8
Blue-collar workers	24	10	34	21	11	32

Composition of the Board of Directors as at 31 December 2021, by gender and age

NAME AND SURNAME	Gender	<30	30-50	>50
Emilio Mussini	M			•
Paolo Mussini	M			•
Giuliano Pini	M			•
Andrea Mussini	M			•
Marco Mussini	M			•
Daniele Prodi	M			•
Men - 100%				
>50 anni - 100%				

24. The protected class category is defined according to the local laws of each individual Country. For the calculation of U.S. protected classes, only employees with "disability" status were considered, in order to further align the data with the national legislation where the Group's other Business Units are present.

Employee new hires by gender and age²⁵

	2020				2021			
	Men	Women	Total	Employee new hires as % of total	Men	Women	Total	Employee new hires as % of total
ITALY	10	6	16		7	7	14	
Age <30 years	5	1	6	15.8%	1	3	4	14.3%
Age 30-50 years	5	5	10	2.4%	4	2	6	1.5%
Age > 50 years	-	-	-	0.0%	2	2	4	1.2%
Employee new hires as % of total	1.9%	2.2%	2.0%		1.4%	2.7%	1.9%	
PORTUGAL	14	3	17		35	5	40	
Age <30 years	8	1	9	22.0%	16	1	17	43.6%
Age 30-50 years	6	2	8	3.2%	15	4	19	7.8%
Age > 50 years	-	-	-	0.0%	4	-	4	2.4%
Employee new hires as % of total	4.4%	2.4%	3.8%		10.7%	4.1%	8.9%	
U.S.	169	57	226		166	51	217	
Age <30 years	72	23	95	115.9%	64	16	80	105.3%
Age 30-50 years	75	25	100	43.7%	73	28	101	45.7%
Age > 50 years	22	9	31	21.2%	29	7	36	23.1%
Employee new hires as % of total	52.0%	43.2%	49.5%		50.9%	40.2%	47.9%	
INDIA	7	-	7		8	3	11	
Age <30 years	-	-	-	0.0%	3	1	4	57.1%
Age 30-50 years	7	-	7	22.6%	5	2	7	26.9%
Age > 50 years	-	-	-	0.0%	-	-	-	0.0%
Employee new hires as % of total	20.0%	0.0%	17.9%		27.6%	42.9%	30.6%	
GERMANY	-	-	-	-	4	-	4	
Age <30 years	-	-	-	-	1	-	1	100%
Age 30-50 years	-	-	-	-	1	-	1	100%
Age > 50 years	-	-	-	-	2	-	2	100%
Employee new hires as % of total	-	-	-	-	100%	0.0%	100%	
GROUP TOTAL	200	66	266		220	66	286	
Age <30 years	85	25	110	66.3%	85	21	106	70.2%
Age 30-50 years	93	32	125	13.6%	98	36	134	15.2%
Age > 50 years	22	9	31	4.9%	37	9	46	7.0%
Employee new hires as % of total²⁶	16.7%	12.5%	15.4%		18.7%	12.8%	16.9%	

25. Data on new hires does not include seasonal staff and intra-group transfers.

26. Employee 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 by gender and age²⁷

	2020				2021			
	Men	Women	Total	Employee new hires as % of total	Men	Women	Total	Employee new hires as % of total
ITALY	24	13	37		32	17	49	
Age <30 years	1	-	1	2.6%	2	-	2	7.1%
Age 30-50 years	8	2	10	2.4%	8	3	11	2.8%
Age > 50 years	15	11	26	7.8%	22	14	36	10.9%
Employee terminations as a % of total	4.7%	4.8%	4.7%		6.5%	6.6%	6.6%	
PORTUGAL	14	5	19		30	6	36	
Age <30 years	3	1	4	9.8%	8	-	8	20.5%
Age 30-50 years	6	1	7	2.8%	15	4	19	7.8%
Age > 50 years	5	3	8	5.1%	7	2	9	5.4%
Employee terminations as a % of total	4.4%	4.0%	4.3%		9.2%	4.9%	8%	
U.S.	182	73	255		170	51	221	
Age <30 years	66	22	88	107.3%	58	14	72	94.7%
Age 30-50 years	88	33	121	52.8%	90	27	117	52.9%
Age > 50 years	28	18	46	31.5%	22	10	32	20.5%
Employee terminations as a % of total	56.0%	55.3%	55.8%		52.1%	40.2%	48.8%	
INDIA	12	-	12		14	-	14	
Age <30 years	-	-	-	0.0%	-	-	-	0.0%
Age 30-50 years	11	-	11	35.5%	14	-	14	53.8%
Age > 50 years	1	-	1	33.3%	-	-	-	0.0%
Employee terminations as a % of total	34.3%	0.0%	30.8%		48.3%	0.0%	30.8%	
GERMANY	-	-	-		-	-	-	
Age <30 years	-	-	-	-	-	-	-	0.0%
Age 30-50 years	-	-	-	-	-	-	-	0.0%
Age > 50 years	-	-	-	-	-	-	-	0.0%
Employee terminations as a % of total	-	-	-		0.0%	0.0%	0.0%	
GROUP TOTAL	232	91	323		246	74	320	
Age <30 years	70	23	93	56.0%	68	14	82	54.3%
Age 30-50 years	113	36	149	16.2%	127	34	161	18.3%
Age > 50 years	49	32	81	12.7%	51	26	77	11.7%
Employee terminations as a % of total²⁸	19.4%	17.2%	18.7%		21.0%	14.3%	18.9%	

27. The data for employee terminations does not include seasonal staff and intra-group transfers.

28. 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.

PARENTAL LEAVE

Parental leave 2020

	Italy			Portugal			US			India		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees who took parental leave during 2020	-	3	3	3	3	6	-	5	5	-	1	1
of which status as at 31/12/2020												
still on leave	-	1	1	2	3	5	-	1	1	-	-	-
returned and still employed	-	2	2	1	-	1	-	3	3	-	1	1
resigned	-	-	-	-	-	-	-	1	1	-	-	-
Return to work rate as at 31/12/2020	-	100%	100%	100%	-	100%	-	75%	75%	-	100%	100%
Employees who took parental leave during 2019	-	3	3	7	3	10	-	3	3	-	-	-
of which status as at 31/12/2019												
still on leave	-	-	-	3	2	5	-	-	-	-	-	-
returned and still employed	-	3	3	4	1	5	-	2	2	-	-	-
resigned	-	-	-	-	-	-	-	1	1	-	-	-
Return to work rate as at 31/12/2019	-	100%	100%	100%	-	100%	-	67%	67%	-	-	-
Employees who took parental leave during 2019	-	3	3	5	2	10	-	3	3	-	-	-
of which status as at 31/12/2020												
still on leave	-	-	-	3	2	5	-	-	-	-	-	-
returned and still employed	-	3	3	4	1	5	-	2	2	-	-	-
resigned	-	-	-	-	-	-	-	1	1	-	-	-
Retention rate as at 31/12/2020	-	100%	100%	100%	100%	100%	-	67%	67%	-	-	-

Parental leave 2021

	Italy			Portugal			US			India			Germany		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees who took parental leave during 2021	-	7	7	-	-	-	-	3	3	-	-	-	-	-	-
of which status as at 31/12/2021															
still on leave	-	4	4	-	-	-	-	-	-	-	-	-	-	-	-
returned and still employed	-	3	3	-	-	-	-	3	3	-	-	-	-	-	-
resigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Return to work rate as at 31/12/2021	-	100%	100%	-	-	-	-	100%	100%	-	-	-	-	-	-
Employees who took parental leave during 2020	-	3	3	3	3	6	-	5	5	-	1	1	-	-	-
of which status as at 31/12/2020															
still on leave	-	1	1	2	3	5	-	1	1	-	-	-	-	-	-
returned and still employed	-	2	2	1	-	1	-	3	3	-	1	1	-	-	-
resigned	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-
Return to work rate as at 31/12/2020	-	100%	100%	100%	-	100%	-	75%	75%	-	100%	100%	-	-	-
Employees who took parental leave during 2020	-	3	3	3	3	6	-	5	5	-	1	1	-	-	-
of which status as at 31/12/2021															
still on leave	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
returned and still employed	-	3	3	3	3	6	-	4	4	-	1	1	-	-	-
resigned	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-
Retention rate as at 31/12/2021	-	100%	100%	100%	100%	100%	-	80%	80%	-	100%	100%	-	-	-

TRAINING

Number of training hours by job category and gender

	2020						2021					
	MEN		WOMEN		TOTAL		MEN		WOMEN		TOTAL	
	Hours	Average	Hours	Average	Hours	Average	Hours	Average	Hours	Average	Hours	Average
ITALY												
Senior manager	83	3	-	-	83	3	214	6	-	-	214	6
White-collar workers	-	-	-	-	-	-	138	1	175	2	313	1
Blue-collar workers	196	1	39	0,2	235	0,5	1,011	3	211	1	1,222	3
TOTAL	279	1	39	0,1	318	0,4	1,363	3	386	1	1,749	2
PORTUGAL												
Senior manager	265	24	48	16	313	22	71	6	65	22	135	10
White-collar workers	687	16	1,249	21	1,936	19	292	7	1,121	18	1,413	14
Blue-collar workers	598	2	50	1	648	2	630	2	4	0,1	633	2
TOTAL	1,550	5	1,347	11	2,896	7	992	3	1,189	11	2,181	5
U.S.												
Senior manager	71	4	59	8	130	5	11	1	9	1	20	1
White-collar workers	241	3	167	2	408	2	380	4	148	2	528	3
Blue-collar workers	2,191	10	451	21	2,642	11	2,852	13	660	25	3,512	14
TOTAL	2,503	8	677	5	3,180	7	3,243	10	816	6	4,059	9
INDIA												
Senior manager	10	5	-	-	10	5	-	-	-	-	-	-
White-collar workers	6	0,3	23	6	29	1	-	-	3	0,4	3	0,11
Blue-collar workers	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	16	0,5	23	6	39	1	-	-	3	0,4	3	0,08
GERMANY												
Senior manager	-	-	-	-	-	-	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-
GROUP												
Senior manager	429	7	107	11	536	7	295	5	74	7	368	5
White-collar workers	933	3	1,439	5	2,372	4	810	3	1,446	5	2,256	4
Blue-collar workers	2,985	4	540	2	3,525	3	4,493	6	874	4	5,367	5
TOTAL	4,347	4	2,086	4	6,433	4	5,597	5	2,394	5	7,991	5

HEALTH AND SAFETY

Workplace injuries and type - Employees

	2020					2021					
	IT	PT	US	IN	GROUP	IT	PT	US	IN	GER	GROUP
Total number of deaths due to workplace injuries	-	-	-	-	-	-	-	-	-	-	-
Total number of serious workplace injuries ²⁹ (excluding deaths)	-	-	-	-	-	-	-	-	-	-	-
Total number of recordable workplace injuries	30	22	18	-	70	43	19	20	-	-	82
Superficial injuries, open wounds and burns	4	7	11	-	22	11	8	9	-	-	28
Sprains, dislocations and fractures	26	15	7	-	48	32	11	11	-	-	54
Amputations	-	-	-	-	-	-	-	-	-	-	-
Hours worked	1,131,712	770,591	950,484	86,834	2,939,621	1,221,707	825,590	910,081	78,276	9,186	3,044,840
Death rate due to workplace injuries ³⁰	-	-	-	-	-	-	-	-	-	-	-
Serious workplace injury rate ²⁹ (excluding deaths)	-	-	-	-	-	-	-	-	-	-	-
Recordable workplace injury rate ³¹	26.5	28.5	18.9	-	23.8	35.2	23.0	22.0	-	-	26.9

Workplace injuries and type - Contractors³²

	2020					2021					
	IT	PT	US	IN	GROUP	IT	PT	US	IN	GER	GROUP
Total number of deaths due to workplace injuries	-	-	-	-	-	-	-	-	-	-	-
Total number of serious workplace injuries ²⁹ (excluding deaths)	-	-	-	-	-	-	-	-	-	-	-
Total number of recordable workplace injuries	3	20	1	-	24	8	12	-	-	-	20
Superficial injuries, open wounds and burns	-	13	-	-	13	3	6	-	-	-	9
Sprains, dislocations and fractures	3	7	1	-	11	5	6	-	-	-	11
Amputations	-	-	-	-	-	-	-	-	-	-	-
Hours worked	123,416	177,427	10,806	-	311,649	212,134	194,785	11,059	-	-	417,979
Death rate due to workplace injuries ³⁰	-	-	-	-	-	-	-	-	-	-	-
Serious workplace injury rate ²⁹ (excluding deaths)	-	-	-	-	-	-	-	-	-	-	-
Recordable workplace injury rate ³¹	24.3	107.1	92.54	-	77.0	37.7	61.6	-	-	-	47.8

29. A serious workplace injury refers to an injury that leads to a death or injury from which the worker cannot recover, does not recover or for which it is unrealistic to expect him/her to fully recover and return to his/her state of health prior to the injury within 6 months.

30. The rate is calculated as follows: number of deaths due to workplace injuries/hours worked * 1,000,000.

31. The rate is calculated as follows: number of recordable workplace injuries/hours worked * 1,000,000.

32. The data relating to the Health and Safety of contractors only include the category of staff leasing workers and not other types of external staff who work at the Panariagroup Group's sites and/or under the Panariagroup Group's control, in view of their significance and of the availability of this data over which Panariagroup does not exercise direct control.

LOCALLY HIRED MANAGEMENT

Locally hired management³³

	2020			2021		
	Men	Women	Total	Men	Women	Total
ITALY						
Senior manager	32	-	32	33	-	33
of whom hired locally	32	-	32	33	-	33
% of locally hired management	100%	-	100%	100%	-	100%
PORTUGAL						
Senior manager	11	3	14	11	3	14
of whom hired locally	11	3	14	11	3	14
% of locally hired management	100%	100%	100%	100%	100%	100%
U.S.						
Senior manager	17	7	24	17	7	24
of whom hired locally	13	6	19	13	6	19
% of locally hired management	76%	86%	79%	76%	86%	79%
INDIA						
Senior manager	2	-	2	2	-	2
of whom hired locally	2	-	2	2	-	2
% of locally hired management	100%	-	100%	100%	-	100%
GERMANY						
Senior manager	-	-	-	1	-	1
of whom hired locally	-	-	-	1	-	1
% of locally hired management	-	-	-	100%	-	100%
GROUP						
Senior manager	62	10	72	64	10	74
of whom hired locally	58	9	67	60	9	69
% of locally hired management	94%	90%	93%	94%	90%	93%

COLLECTIVE BARGAINING AGREEMENTS

Employees covered by collective bargaining agreements as at 31 December³⁴

	2020					2021					
	IT	PT	US	IN	GROUP	IT	PT	US	IN	GER	GROUP
Employees covered by collective bargaining agreements	783	445	-	-	1,228	748	449	-	-	4	1,201
%	100%	100%	0%	0%	71%	100%	100%	0%	0%	100%	71%

33. In defining locally hired management, management with citizenship in the country where each Business Unit of the Group is located was considered local.
34. No collective bargaining agreements are in force in the U.S. and India.

STANDARD SALARY FOR NEW HIRES

Ratio of standard entry level salary by gender compared to local minimum salary

2020								
	IT		PT		US		IN	
	Men	Women	Men	Women	Men	Women	Men	Women
Ratio between the standard new hire level and the local minimum salary, by gender	1.0	1.0	1.0	1.0	1.9	1.9	1.2	1.2

2021										
	IT		PT		US		IN		GER	
	Men	Women								
Ratio between the standard new hire level and the local minimum salary, by gender	1.0	1.0	1.0	1.0	1.9	1.9	1.2	1.2	1.0	-



Data on the supply chain

For 2021, the scope of the supply chain data refers to the Group companies that operate production sites and, limited to information regarding expenditure on local suppliers, Panariagroup India Industrie Ceramiche Pvt Ltd. Companies with only commercial offices, Gres Panaria Central Europe GmbH and Montanari Ceramiche S.r.l., are excluded, since they are not considered relevant to an understanding of the Group's business activities and the impact of its products.

LOCAL SUPPLIERS

Expenditure on local suppliers (million €)³⁵

	2020					2021				
	IT	PT	US ³⁶	IN	GROUP	IT	PT	US	IN	GROUP
Expenditure on local suppliers	104	40	52	1	197	142	46	64	2	254
Total purchases	113	45	61	1	220	154	55	74	2	285
% of expenditure on local suppliers out of total purchases	92%	88%	86%	100%	89%	92%	85%	86%	100%	89%

MATERIALS USED

Materials used by weight (t)

	2020				2021			
	IT	PT	US	GROUP	IT	PT	US	GROUP
Clay	107,874	80,368	45,519	233,761	136,212	107,821	54,499	298,532
Feldspar	100,025	66,430	41,293	207,748	132,011	70,500	81,303	283,813
Sand	45,718	7,500	11,045	64,263	53,320	12,066	10,795	76,182
Glazes and colouring agents	6,920	4,540	1,733	13,193	8,537	5,516	1,827	15,880
Spray-dried powders	1,755	-	-	1,755	1,858	-	-	1,858
Zirconium/whitening agents	1,411	610	157	2,178	1,577	530	214	2,321
Additives	2,030	1,065	624	3,719	2,732	1,191	593	4,516
Ground fired material	16,236	2,000	-	18,236	21,488	6,057	-	27,545
Packaging	10,032	987	3,866	14,884	13,279	1,247	4,453	18,979
Other	3,554	7,455	1,182	12,191	5,042	8,433	1,738	15,213
Total	295,555	170,955	105,419	571,929	376,056	213,361	155,422	744,839

35. In defining expenditure on local suppliers, "local suppliers" were considered to be those suppliers with a registered office in the country in which each business unit operates. Monetary values are reported net of intercompany transactions and VAT for all the reference Countries.

36. It should be noted that, following an improvement in the U.S. Business Unit's reporting system, the 2020 figure for total purchases was restated from the figure published in the previous Sustainability Report, since it was stripped of intercompany values. For the previously published data, please refer to the 2020 Sustainability Report, which can be found in the Sustainability section on www.panariagroup.it

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GRI content
index



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INDEPENDENT AUDITOR'S REPORT ON THE SUSTAINABILITY REPORT

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

We have carried out a limited assurance engagement on the Sustainability Report of the Panariagroup Group (hereinafter also "Group") as of December 31, 2021.

Responsibility of the Directors for the Sustainability Report

The Directors of Panariagroup Industrie Ceramiche S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), as stated in the paragraph "Note on methodology" of the Sustainability Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the definition of the Panariagroup Group's objectives in relation to the sustainability performance, for the identification of the stakeholders and the significant aspects to report.

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 Sustainability Report with 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 Sustainability Report 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 ("*reasonable assurance engagement*"), 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 the Sustainability Report are based on our professional judgement and included inquiries, primarily with Company personnel responsible for the preparation of information included in the Sustainability Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

- 1) analysis of the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;
- 2) comparison between the economic and financial data and information included in the paragraph "Economic Responsibility" of the Sustainability Report with those included in the Group's Financial Statements;
- 3) understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the Sustainability Report.

In particular, we carried out interviews and discussions with the management of Panariagroup Industrie Ceramiche S.p.A. and with the personnel of Gres Panaria Portugal S.A. 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 Sustainability Report.

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 Sustainability Report, 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 (MO, Italy) site and production plant for Panariagroup Industrie Ceramiche S.p.A., Aveiro (Portugal) site and production plant for Gres Panaria Portugal S.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 the management of the plant and have gathered supporting documentation on a sample basis 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 Sustainability Report of the Panariagroup Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with the GRI Standards as stated in the paragraph "Note on methodology" of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.

Signed by
Silvia Dallai
Partner

Bologna, Italy
May 25, 2022

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

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