

Consolidated Non-Financial Statement pursuant to articles 3 and 4 of Legislative Decree no. 254 of 2016

20/20

sustainability  
report

**PANARIA**group®

20/20

sustainability  
report

They are not just words. They are the key with which we open up to the world. They are the guidelines that determine what we do.

Starting with **respect**, the force that drives our sustainability.

As people, as a company and as a group we make choices **together** that create new **value** for society and communities, constantly **searching** for the best version of us.

It is our responsibility to **protect** what we have in order to build the future we will live in. Doing so with extreme care and **attention** is the best way we know.

# letter to stakeholders

Our fifth edition of **the Sustainability Report** comes at the end of an extraordinarily difficult year. The incursion of the COVID-19 pandemic into our economic and social system has disrupted our lives and our certainties, including in terms of how we conduct our businesses.

What happened starting in spring 2020 severely tested our beliefs and models within a few weeks, as well as testing the true depth of our responsibility in our approach to business.

Although we are still facing many uncertainties, we are emerging from this year with a great deal of effort, but also with 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.

We wanted to do more than what was asked of us, implementing special initiatives such as **the Solidarity Fund**, for which the management team of the Italy and Portugal Business Units joined forces to donate part of their salary to the colleagues affected by the redundancy fund. In the meantime, the company has continued **to invest in its own development** with significant building and industrial projects, aiming to renew itself and become increasingly better equipped for future challenges.

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



It is therefore in this context that we proudly continue to report on our sustainability activities, which have not stopped but on the contrary have seen the whole company even more focused and involved in tackling the challenges that this new world is already requiring us to face: **new products, new technical solutions** (such as the Easy system for dry laying of ceramic floors, an extraordinary innovation, including in terms of sustainability and circularity), and a **relaunch of our more** than ten-year commitment to our customers' health thanks to our exclusive Protect antibacterial technologies. 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 manner, 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  
Chairman of Panariagroup

A handwritten signature in black ink, appearing to read 'Emilio Mussini'.

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## Support for innovation

We have invested around **126 million euros** in innovation over the last 5 years.



## Low water impact

Water consumption intensity **0.02 m<sup>3</sup> per m<sup>2</sup> of tiles.**



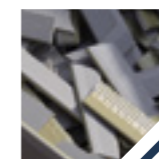
## Close relationship with the local area

**More than 90% of our expenditure** is made on **local suppliers.**



## Eco-friendly packaging

We bought more than **600 tons of recycled plastic for industrial use\*.**



## Waste management

**98% of waste recovered** along the production chain.



## Human resources

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



## Attention to waste and water consumption

We recovered more than **54,000 tons of production waste** and **40,000 m<sup>3</sup> of water.**



## Energy saving

Our energy **consumption index is 0.140 GJ for m<sup>2</sup> of tiles.**



## Emission reduction<sup>1</sup>

**9 tCO<sub>2</sub>e for 1,000 m<sup>2</sup> of tiles, 162 tCO<sub>2</sub> avoided** over the course of the year, equal to the absorption of almost **5,000 trees.**



## Products for quality of life

We offered our Clients a wide range of **eco-friendly ceramic slabs** (58 collections) and **antibacterial surfaces** (74 collections).

# our commitment

1. In 2020, through photovoltaic systems installed at the Fiorano Modenese, Finale Emilia and Sassuolo plants, the Group avoided 162 tCO<sub>2</sub>, calculated based on gross Country electricity generation using Location-based methodology, a figure that is down from 2019. 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 kgCO<sub>2</sub>/year (Source: [www.retedima.it](http://www.retedima.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.

# 2020 highlights

## economic

MILLION EUROS EBITDA	MILLION EUROS NET RESULT	MILLION EUROS NET FINANCIAL POSITION <sup>2</sup>	MILLION EUROS NET WORKING CAPITAL	MILLION EUROS INVESTMENTS
<b>32.4</b> > 2019 <b>37.5</b> > 2020	<b>(6.4)</b> > 2019 <b>(5.8)</b> > 2020	<b>105.6</b> > 2019 <b>87.6</b> > 2020	<b>127.0</b> > 2019 <b>109.2</b> > 2020	<b>14.6</b> > 2019 <b>19.4</b> > 2020

## environmental

ENERGY INTENSITY <sup>3</sup>	EMISSIONS INTENSITY <sup>3</sup> SCOPE 1 + SCOPE 2 (LOCATION-BASED)	EMISSIONS INTENSITY <sup>3</sup> SCOPE 1 + SCOPE 2 (MARKET-BASED)	WASTE SENT FOR RECYCLING	RAW WASTE RECYCLED IN THE PRODUCTION PROCESS
GJ/m <sup>2</sup> <b>0.139</b> > 2019 <b>0.140</b> > 2020	tCO <sub>2</sub> e/m <sup>2</sup> <b>0.009</b> > 2019 <b>0.009</b> > 2020	tCO <sub>2</sub> e/m <sup>2</sup> <b>0.010</b> > 2019 <b>0.009</b> > 2020	% <b>94</b> > 2019 <b>98</b> > 2020	% <b>100</b> > 2019 <b>100</b> > 2020

## social

EMPLOYEES	PERMANENT EMPLOYEES	EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS	RECORDABLE WORKPLACE INJURY RATE – EMPLOYEES	RECORDABLE WORKPLACE INJURY RATE – CONTRACTORS <sup>4</sup>
<sup>n.</sup> <b>1,781</b> > 2019 <b>1,724</b> > 2020	% <b>97</b> > 2019 <b>97</b> > 2020	% <b>70</b> > 2019 <b>71</b> > 2020	<b>28.2</b> > 2019 <b>23.8</b> > 2020	<b>61.6</b> > 2019 <b>77.0</b> > 2020

2. Net of leasing liabilities.

3. The intensity values are calculated based on the m<sup>2</sup> of tiles produced during the year, which amounted to 20,179,156 m<sup>2</sup> in 2020 and 22,751,785 m<sup>2</sup> in 2019.

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.



SUSTAINABILITY  
FOR PANARIAGROUP

# respect

One word to describe everything about us. Respect is the overarching principle that guides our Group throughout the world. It is how we want to be, it is how we want to work, it is what we want to inspire in everyone who works with us.



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.

The logo for 'in evidence' features a stylized white line graph with an upward-pointing arrow on the left side, followed by the words 'in evidence' in a white, lowercase, serif font.

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.

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Together for a sustainable global economy



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

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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.

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## note on methodology

This document presents the Panariagroup Group's (hereafter also "Panariagroup" or the "Group") annual Consolidated Non-Financial Statement (hereafter also the "Sustainability Report"), as required by Legislative Decree 254/2016. In compliance with Article 5 of the Decree, this document is a separate report with specific wording to refer to the Consolidated Non-Financial Statement as set out by the regulation.

The Sustainability Report contains information to the extent necessary to ensure knowledge of the business activity, of its performance, of its results and of the impact of its activity, with regard to the issues considered relevant by and included in Article 3 of Legislative Decree 254/16, with reference to the 2020 financial year (from 1 January to 31 December).

The selection of the aspects and indicators used to define the reported content was carried out through a materiality analysis that considers issues relevant to the Panariagroup Group and its stakeholders; for details on the materiality analysis conducted by the Group, please refer to the "Materiality Analysis" section of this document.

The Panariagroup Group's 2020 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. With regard to the specific GRI 303 (Water and Effluents) and GRI 403 (Occupational Health and Safety) standards, the most recent 2018 versions have been adopted, while the most recent 2020 version has been adopted for the specific GRI Standard 306 (Waste).

**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 2020. With regard to qualitative information and quantitative data relating to human resources, including health and safety in the workplace aspects, companies using the full consolidation method in the consolidated financial statement are included in the reporting scope. With regard to qualitative information and quantitative data relating to environmental aspects and other social aspects, the Group's companies that manage production sites are included and, limited to the other social aspects, Panariagroup

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

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.

With regard to changes in the Group's size and scope of consolidation, it should be noted that, during the year, Gres Panaria Central Europe GmbH was established, a company based in Hamburg (Germany) that promotes the Group's products on the German, Austrian and Swiss markets. The company will begin to actively operate during 2021. 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. 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 topics considered relevant, in line with the previous years, an assessment 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 the 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, in 2018, the Group prepared its Group Code of Ethics and a Code of Business Conduct for suppliers, which define the principles and values underlying its daily operations and the entire value chain. With a view to ever-increasing control of its supply chain, **the Group embarked on a process to integrate ESG (Environmental, Social and Governance) criteria** into the supplier selection and assessment process, which achieved

5. For the list of Companies using the full consolidation method, please refer to the "Group Structure" section of the Management Report in the Panariagroup Industrie Ceramiche S.p.A. Consolidated Financial Statement of 31 December 2020.

initial results in 2020 and will continue during 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 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 into the Group's value chain continued in 2020 with **the achievement of numerous objectives declared in the 2019 Consolidated Non-Financial Statement**, and others confirmed for next year, and the definition of new goals to be achieved over the next few years; for more details on the achieved goals and the newly defined goals, please refer to the "Sustainability goals" section in this document.

The Panariagroup Group's 2020 Consolidated Non-Financial Statement was approved by the Board of Directors of Panariagroup Industrie Ceramiche S.p.A. on 12 March 2021. Deloitte & Touche SpA undertook a 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 Consolidated Non-Financial Statement, please contact: [sustainability@panariagroup.it](mailto:sustainability@panariagroup.it).



# 1 /2

## our approach to sustainability

**Panariagroup's mission is to develop and create well-being in harmony with people and the environment**, with great willingness, passion and love for our work. In order to achieve these goals, the Group aims to generate sustainable value for its shareholders, employees and 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 the architecture and in the construction industry.

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

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

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

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

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

Even during the economic crisis involving most of the Countries in which the Group operates, Panariagroup has always been committed, with regard to its own employees, to maintaining employment levels, offering safe workplaces and paying attention to the well-being and welfare of employees.

**2020 was unfortunately the year of the COVID-19 emergency and 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, constant communication, both within the company and externally, the expansion of smart working methods and full readiness to provide its employees with all the tools and equipment necessary for business continuity, conditions that have enabled the Group's staff to carry out their work as efficiently as possible.

Panariagroup has gone beyond what is required by the current scenario and, in line with its principles and values, it has demonstrated continuous solidarity towards its employees. In this spirit, the Group has launched extraordinary initiatives, such as **the creation of a Solidarity Fund for the employees most affected by redundancy measures, the organisation of a collection of basic necessities and support for staff with special family needs**. Determined to act and look to the future, the Group has responded to the emergency context with a proactive and courageous approach, focusing on safety, solidarity and timely reorganisation of its operations to ensure business continuity.

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.

# 1/3

## 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.

To confirm its commitment to the advancement of a business model that integrates economic, social and environmental responsibility in all the activities and in all the aspects regarding the Group, **Panariagroup annually identifies and declares concrete sustainability goals** that represent a commitment that the Group assumes towards all its stakeholders. These goals are also defined by taking into account the guidelines for sustainable development internationally recognized by the 2030 Agenda.

In view of its own scope of action, Panariagroup identified, back in 2019, the most significant SDGs in relation to its impacts on the local area and, starting in 2020, it has correlated these Goals to its own material topics in order to make the existing link between sustainable development and corporate action more explicit. This activity has 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
 <b>Ensure healthy lives and promote well-being for all at all ages</b>	<b>3.8:</b> 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 all.
 <b>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>	<b>4.4:</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
 <b>Ensure availability and sustainable management of water and sanitation for all</b>	<b>6.3:</b> By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. <b>6.4:</b> 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.
 <b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	<b>8.2:</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. <b>8.4:</b> 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. <b>8.5:</b> 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 pay for work of equal value. <b>8.7:</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms. <b>8.8:</b> Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.
 <b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>	<b>9.1:</b> 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 all. <b>9.4:</b> 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 capabilities.
 <b>Reduce inequality within and among nations</b>	<b>10.4:</b> Adopt policies, especially fiscal, salary, and social protection policies and progressively achieve greater equality.
 <b>Ensure sustainable consumption and production patterns</b>	<b>12.2:</b> By 2030, achieve sustainable management and efficient use of natural resources. <b>12.5:</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.
 <b>Take urgent action to combat climate change and its impacts</b>	<b>13.1:</b> Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all Countries.
 <b>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>	<b>16.5:</b> Substantially reduce corruption and bribery in all its forms.

For the correlation of the SDGs with the Group's material topics and for the list of internal sustainability goals identified by Panariagroup, please refer to the paragraphs "The materiality analysis" and "The sustainability goals" in this chapter.

# 1/4

## participation in the *UN Global Compact*

To date, of the almost 17,000 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.



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. 62-64)
	2. Guarantee of not being, directly or indirectly, complicit in violations of human rights		Introduction of a Code of Ethics and a Code of Business Conduct for the Group (p. 66-67)
		Performance indicators	GRI 102-16 (p. 66-67) GRI 414-1 (p. 170)

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 a Code of Business Conduct for the Group (p. 66-67)  Initiatives described in the "Social Responsibility" chapter (p. 150-173)
	4. Elimination of all the forms of forced and compulsory labour		
	5. Effective abolition of child labour		
	6. Elimination of all the forms of discrimination in employment and professional occupation	Performance indicators	GRI 102-8 (p. 184-186) GRI 102-41 (p. 153; 194) GRI 202-1 (p. 194) GRI 202-2 (p. 194) GRI 401-1 (p. 188-189) GRI 401-3 (p. 190-191) GRI 404-1 (p. 192) GRI 405-1 (p. 186-187) GRI 406-1 (p. 152)
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 ISO 14001 and EMAS certified management systems (p. 126-127)  Initiatives described in the "Environmental Responsibility" chapter (pag. 126-144)
	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. 195) GRI 302-1 (p. 136-138; 176-179) GRI 302-3 (p. 10; 136; 176) GRI 303-3 (p. 180) GRI 303-4 (p. 181) GRI 305-1 (p. 138-139; 178-179) GRI 305-2 (p. 138-139; 178-179) GRI 305-4 (p. 10-11; 136; 178-179) GRI 305-7 (p. 178) GRI 306-3 (p. 182-183) GRI 307-1 (p. 67) GRI 308-1 (p. 170) GRI 414-1 (p. 170)
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)  Formalisation of a Code of Ethics and a Code of Business Conduct for the Group (p. 66-67)
		Performance indicators	GRI 102-16 (p. 66-67) GRI 205-3 (p. 67)

# 1/5

## 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 company and its activities, through an analysis that considered the following variables: tension, influence, responsibility and dependence.

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

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

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

# the stakeholder

**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 maintain active and continuing relations with its stakeholders through various methods involving the different company functions.

In 2020, in line with the activities already developed for the employees of the Italian scope during the previous year, **the Group decided to strengthen stakeholder engagement activities by involving the employees of the Portuguese** scope through the compilation of a questionnaire on an online platform, which provided an additional opportunity for discussion with Panariagroup staff regarding areas related to working life within the company and sustainability aspects, and allowed employees to identify specific opportunities for improvement. Through this initiative, for further details on which see the “Social Responsibility” chapter, **Panariagroup is renewing its commitment to its employees**, 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 new and 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.



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



# 1/6 materiality analysis

There were no significant structural changes during 2020 that might alter the Group's strategic and operational approach, and the issues that emerged as material from the 2019 analysis were in line with the priorities of the Group and its stakeholders. The 2020 materiality matrix, which was unchanged from the previous year, was validated by the Control and Risk Prevention Committee on 12 March 2021.

Engagement activities conducted during 2019 were aimed directly at the Employee stakeholder category, with more than 200 participants, and at the Group's top management with more than 20 participants.

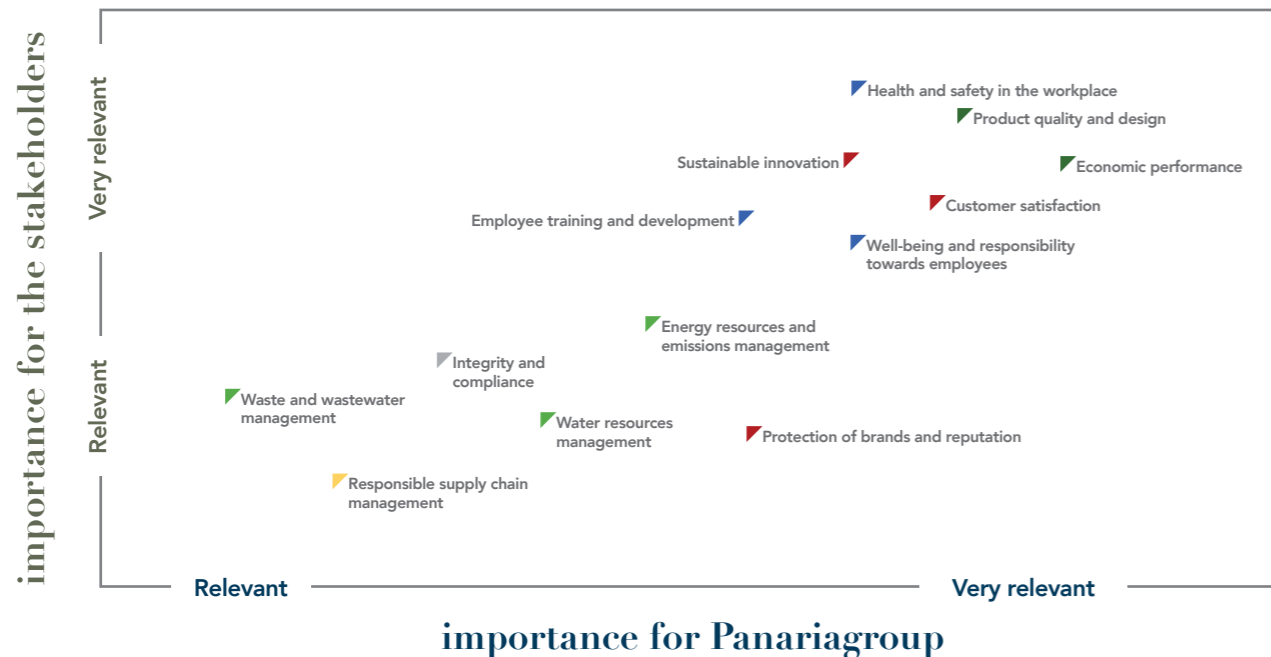
During 2021, the Group plans to update the analysis through specific stakeholder engagement activities/initiatives. These activities will be developed in order to create an ongoing dialogue with the various stakeholder categories and, as a result, to update the Group's materiality analysis, taking into account their needs and expectations.

The materiality matrix confirms the importance, for both the Group and its stakeholders, of the issues of **Economic Performance, Health and Safety in the Workplace, Product Quality and Design, Sustainable Innovation and Customer Satisfaction**. These issues relate to aspects of primary importance that are fully consolidated in the company's operations and recall the strategy implemented thus far by the Group, which has invested heavily in these areas.

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:

## 2020 materiality matrix

- Legend**
- Economic responsibility
  - Social responsibility
  - Governance and compliance
  - Product responsibility
  - Employee responsibility
  - Environmental responsibility



material topics	description	relevant SDGs
<b>Product quality and design</b>	Product certifications and adoption of procedures and systems developed to guarantee high 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.	16 <b>Peace, Justice and Strong Institutions</b>
<b>Economic performance</b>	Responsible management of the Group's economic and financial resources 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.	8 <b>Decent Work and Economic Growth</b> , 9 <b>Industry, Innovation and Infrastructure</b> , 10 <b>Reduced Inequalities</b>
<b>Health and safety in the workplace</b>	Management systems and policies related to the health and safety of workers in the workplace. Training and awareness-raising activities and initiatives for the Group's internal stakeholders aimed at developing a culture of prevention and monitoring, as well as management of accidents at work.	3 <b>Good Health and Well-being</b> , 8 <b>Decent Work and Economic Growth</b> , 16 <b>Peace, Justice and Strong Institutions</b>
<b>Sustainable innovation</b>	Activities and policies related to technological innovation and Research and Development activities designed to continuously improve processes and products, with particular attention to environmental impact reduction.	8 <b>Decent Work and Economic Growth</b> , 9 <b>Industry, Innovation and Infrastructure</b> , 12 <b>Responsible Consumption and Production</b>
<b>Customer satisfaction</b>	Procedures and systems for monitoring and managing customer satisfaction and any complaints related to health and safety, labelling, product information and communication and marketing activities.	8 <b>Decent Work and Economic Growth</b> , 9 <b>Industry, Innovation and Infrastructure</b> , 12 <b>Responsible Consumption and Production</b>
<b>Well-being and responsibility towards employees</b>	Staff management policies and activities to ensure employee well-being, protection of workers' rights, diversity and equal opportunities. Interaction, dialogue and collaboration with unions aimed at ensuring that the Group listens to employees' needs.	8 <b>Decent Work and Economic Growth</b> , 10 <b>Reduced Inequalities</b>

material topics	description	relevant SDGs
<b>Employee training and development</b>	Development and training activities intended to improve employees' technical, managerial and organisational skills and to strengthen the expertise required for the position. Staff incentive policies and systems, career development and talent attraction.	
<b>Energy resources and emissions management</b>	Policies for monitoring and efficient management of energy consumption and emissions. Use of energy from renewable sources (green certificates, photovoltaic systems, etc.). Initiatives, activities and policies adopted with the aim of reducing energy consumption and minimizing atmospheric emissions from company activities.	
<b>Water resources management</b>	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. Initiatives, activities and policies adopted with the aim of reducing water consumption used for company activities.	
<b>Integrity and compliance</b>	Ethics, integrity and transparency in business activities that include the adoption of policies and procedures to support compliance with current regulations and any specific regulations. Adherence to national and international principles and guidelines that include areas of social and environmental responsibility in which the Group operates or which are linked to its business activities. 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 specific training activities on the subject.	
<b>Protection of brands and reputation</b>	Policies to promote the Group's different types of brands, multi-brand commercial strategies and the development of policies designed to spread and protect them.	
<b>Waste and wastewater management</b>	Responsible management of hazardous and non-hazardous waste related to Panariagroup's business operations, and promotion of responsible management methods and practices such as: reuse, sorting and recycling of generated waste.	
<b>Responsible supply chain management</b>	Supply chain management aimed at promoting transparency between parties and procurement practices that are responsible in environmental terms (including attention to the protection of biodiversity for suppliers of raw materials whose activities and processes have a high environmental impact), social terms and with regard to respect for human rights. Implementation of supplier evaluation systems based on social and environmental criteria, as well as on the quality of their services and products.	

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

material topics	reconciliation with GRI topics	scope of impact	
		Where the impact occurs	Involvement of the Group
<b>Product quality and design</b>	<ul style="list-style-type: none"> <li>Health and safety of customers</li> <li>Marketing and labelling</li> </ul>	Group	Caused by the Group
<b>Economic performance</b>	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Market presence</li> <li>Tax</li> </ul>	Group	Caused by the Group
<b>Health and safety in the workplace</b>	<ul style="list-style-type: none"> <li>Occupational health and safety</li> </ul>	Group employees and contractors <sup>6</sup>	Caused by the Group
<b>Sustainable innovation</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Group	Caused by the Group
<b>Customer satisfaction</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Group	Caused by the Group
<b>Well-being and responsibility towards employees</b>	<ul style="list-style-type: none"> <li>Employment</li> <li>Diversity and equal opportunity</li> <li>Non-discrimination</li> </ul>	Group	Caused by the Group
<b>Employee training and development</b>	<ul style="list-style-type: none"> <li>Training and education</li> </ul>	Group	Caused by the Group
<b>Energy resources and emissions management</b>	<ul style="list-style-type: none"> <li>Energy</li> <li>Emissions</li> </ul>	Group and electric and thermal energy suppliers	Caused by the Group and related to the Group through its commercial relations
<b>Water resources management</b>	<ul style="list-style-type: none"> <li>Water and wastewater</li> </ul>	Group	Caused by the Group
<b>Integrity and compliance</b>	<ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Anti-competitive behaviour</li> <li>Environmental compliance</li> <li>Socioeconomic compliance</li> </ul>	Group	Caused by the Group
<b>Protection of brands and reputation</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Group	Caused by the Group
<b>Waste and wastewater management</b>	<ul style="list-style-type: none"> <li>Waste</li> </ul>	Group	Caused by the Group
<b>Responsible supply chain management</b>	<ul style="list-style-type: none"> <li>Procurement practices</li> <li>Materials</li> <li>Environmental assessment of suppliers</li> <li>Social assessment of suppliers</li> </ul>	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 2019 Non-Financial Statement, with their relative progress, and the new sustainability goals that the Group defined in 2020 looking ahead to 2021.

## GOALS DECLARED IN NFS 2019

business issues		
goal	target	progress
Industry 4.0: adherence to digitization incentives (Article 3 of Legislative Decree no. 145 of 23 December 2013, as replaced by Article 1, paragraph 35 of the 2015 Stability Law and amended in the 2017 Budget Law).	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". 
Installation of new facilities 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 plant.	2018	Sorting lines for the Toano and Fiorano plants have been installed. The construction of the drying room at the Fiorano plant is subject to site expansion work; the achievement of the goal has been postponed to 2021 due to delays in the completion of the new building. 
Extension of the covered area of the Fiorano Modenese (Italy) plant for the expansion and optimisation of large format slab production.	2019	The goal has been achieved. 
Installation and launch of a dry-grinding and polishing line in the Aveiro plant, enabling recovery of powders during the milling of the mix and a consequent reduction in the production of waste (sludge) compared to when using a wet system.	2019	The goal has been achieved. 

business issues		
goal	target	progress
Installation of an innovative technology ("continuous line") in the Finale Emilia (Italy) plant with expected goals compared to traditional lines of higher productivity, reduced electricity and gas consumption and expansion of the range of sizes that can be produced.	2020	The goal has been achieved. 
Installation of a new atomizer in the Finale Emilia (Italy) plant, featuring greater energy efficiency.	2020	Goal will be completed in 2021. 
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	Goal will be completed in 2021. 
Purchase of new internal handling machines (LGVs) at the Fiorano Modenese plant (Italy), with improved plant utilization, an increase in internally processed material and a consequent reduction in transport to external suppliers and savings in processing costs.	2020	The goal has been achieved. 
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	Goal will be completed in 2021. 
Installation and launch of a dry-grinding and polishing line in the Lawrenceburg (USA) plant, enabling recovery of powders during the milling of the mix and a consequent reduction in the production of waste (sludge) compared to when using a wet system.	2020	The goal has been achieved. 
Installation of a mill to recover fired waste in the Lawrenceburg (USA) plant, with an increase in recoverable fired waste in the mix (up to 8%), reduced raw material consumption, and increased productivity and energy performance of the continuous mill.	2020	The goal has been achieved. 
Replacement of compressors at the Lawrenceburg plant (USA) with new, more energy efficient models.	2020	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 Toano plant (Italy) to significantly reduce electricity consumption.	2018	Goal will be completed in 2021. 
Partial replacement of fluorescent neon lights and installation of LED and magnetic induction lighting systems in the Ílhavo and Aveiro (Portugal) plants to obtain significant electricity reductions.	2019	Goal will be completed in 2021 with the installation of the systems at the Ílhavo plant. 
Partial renovation of roofing in all of the Group's plants, using eco-friendly materials.	2019	The goal has been achieved. 
Campaign to replace lead-acid batteries with lithium ones, which have a longer life and are less polluting, for automatic vehicles for handling finished products.	2019	Goal will be completed in 2021. 
Industry 4.0: achievement of CE line certifications in the plants in Finale Emilia and Toano (Italy).	2020	Goal postponed to 2021.
Inclusion of hybrid cars in the Italian Business Unit's Car Policy.	2020	Goal postponed to 2021.
Replacement of 50% of the Portuguese Business Unit's car fleet with hybrid cars.	2020	Goal will be completed in 2021. 
Optimisation of the filter dust recovery and treatment system in the Fiorano Modenese plant.	2020	Goal postponed to 2021.
Certification of the new MAXA (NSF) large slab line, which is intended for the furnishing accessories segment and designed to be suitable for food contact.	2020	The goal has been achieved. 

## human resources

goal	target	progress
Creation of a reward system for employees who distinguish themselves in activities related to sustainability issues "sustainability award" within all Business Units.	2019	A "sustainability award" was created within the Italian and Portuguese Business Units. It is planned to be extended to the U.S. Business Unit in 2022. 
Improvement of activities to listen to staff in the Italian and US Business Units (e.g. climate analysis, etc.).	2019	An initiative to listen to staff has been created at the Italian and Portuguese Business Units. It is planned to be extended to the U.S. Business Unit in 2021. 
Improvement of communication channel with employees, through dedicated software in the Italian Business Unit.	2019	The goal has been achieved. 
Implementation of at least one of the three projects awarded as part of the 2019 "Sustainability Award" in the Italian Business Unit.	2020	The goal has been achieved. 
Implementation of improvement initiatives linked to the results of staff listening activities carried out in 2019 in the Italian Business Unit.	2020	The goal has been achieved. 
Creation of Scholarships dedicated to the children of employees in the Italian Business Unit.	2020	Goal postponed to 2021.
Creation of a Solidarity Fund in the Italian Business Unit, with voluntary donations from employees for a specific charitable project.	2020	The goal has been achieved. 
Establishment of a "Sustainability Award" in the Portuguese Business Unit through an ideas competition open to the staff of Gres Panaria Portugal.	2020	The goal has been achieved. 
Staff listening initiative in the Portuguese Business Unit, in line with the methods adopted by the Group.	2020	The goal has been achieved. 

## supply chain

goal	target	progress
Introduction of a standardized system to assess new suppliers on the basis of social and environmental criteria, as well as criteria related to human and workers' rights in the Portuguese Business Unit.	2020	The goal has been achieved. 
Development of an Impact Assessment and Risk Analysis of social and environmental impact in the supply chain in the Portuguese Business Unit.	2020	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 first part of the work has been carried out and will be continued in 2020 and completed in 2021 with the expansion of the Fiorano site. 

## customers

goal	target	progress
Development of stakeholder engagement for customers in the Italian Business Unit.	2020	Goal will be completed in 2021. 

# new goals

## business issues

### 2021 Target

Installation of a new lapping line and a new packaging line at the Finale Emilia site, enabling the processing and management of large formats (up to 180 cm side).

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.

Alteration of the internal plant 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).

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.

Reorganization of the layout of the sanding and grinding department at the Ílhavo plant to optimize internal logistics and installation of soundproofing systems to improve noise levels.

### 2022 Target

Replacement of an oven at the Finale Emilia site with a new plant featuring high production capacity and performance optimization in terms of energy consumption.

## quality and environment

### 2021 Target

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.

Implementation of dedicated internal logistics software (VMS) aimed at optimizing the management of material handling, resulting in lower fuel consumption and less pollution.

Installation of a continuous seismic monitoring system at the Fiorano plant.

Creation of a service model dedicated to active participation in projects related to the 110% Bonus for energy upgrading of Italian real estate.

Total replacement of fluorescent neon lights with installation of LED and magnetic induction lighting systems at the Lawrenceburg (United States) plant to obtain significant electricity reductions.

Request for accreditation on the EcoVadis platform to obtain a sustainability performance assessment.

## local community

### 2021 Target

Establishment of a Solidarity Fund for which all employees of the Italian Business Unit are eligible.

## customers

### 2021 Target

Implementation of the VIS service in the American Business Unit to monitor supply quality in real time and give customers fast and comprehensive feedback, improving the after-sales service.

## human resources

### 2021 Target

Free and optional offer of a specialist consultation service (posturologist, nutritionist, psychologist) in the Italian and Portuguese Business Units.

Planned investments of €0.5 million for measures to reduce the risk of manual handling of loads (manipulators, automatic loaders) in the Italian Business Unit.

Planned investments of €0.7 million for measures related to the safety and environmental comfort of employees (soundproofing systems and systems to reduce airborne dust) in the Italian Business Unit.

Support for professional and academic training of employees of the Portuguese Business Unit, in collaboration with the AIDA Qualification Centre.

Extension of the skills management and development system, already implemented for the Aveiro (Portugal) office, to the Ílhavo (Portugal) office.

Development of a healthcare programme with ARC Healthcare (prevention, risk assessment and personal support programme for chronic diseases) in the US Business Unit.

Development of training activities through the dedicated learning management system platform in the US Business Unit.

Development of a staff listening initiative in the American Business Unit, in line with the methods adopted by the Group.





together

Today more than ever, being a Group gives us strength that enables our Brands to face the challenges of these complex times with courage and resourcefulness. Together is not just an answer: it is a way of being.

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.

 **in evidence**

Our customers

**Around 10,000**

49% UE

45% USA

6% REST OF THE WORLD

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Reliability and trust

**65%**

of our customer relationships last at least 3 years.

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 The chapter's material topics

**Integrity and compliance.**

 Our contribution to the SDGs





**2**  
**1** group profile

With over 1,700 employees, a network of around 10,000 Customers , 6 production plants (3 in Italy, 2 in Portugal and 1 in the USA) and a turnover of €357 million in 2020 (-6.5% compared to 2019), **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.

**6** production plants

**19.4** million euros invested

**357** 2020 turnover in million euros

**1,724** employees

over  
**20** Millions of m<sup>2</sup> produced

**9** Brands

Sales in over  
**130** Countries



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

# 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.

## 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.

## 2004

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.

## 2002

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.

## 1995

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 Fiordo Industrie Ceramiche brand was founded** in order to strengthen the Group's leading position on the market.

## 2010

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

## 2017 - 2020

Significant advances 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** and the product range was expanded with **the introduction of new sizes and thicknesses**.

**New commercial channels** were 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);.

**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.

# 2/3

## Panariagroup worldwide

Panariagroup actively operates both in Italy and abroad through **nine brands** that can satisfy a diverse clientele focused on the technical and aesthetic quality of its products: Panaria Ceramica, Lea Ceramiche, Cotto d'Este, Blustyle, Florida Tile, Margrès, Love Tiles, Bellissimo and, starting with the official launch in summer 2020, Maxa Ceramic Slabs, which offers large-format, high-thickness 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 SA with registered office in Ílhavo in Portugal and Panariagroup USA Inc., which owns the Florida Tile Inc. and Lea North America LLC. Companies, with registered offices in Delaware (USA). 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.

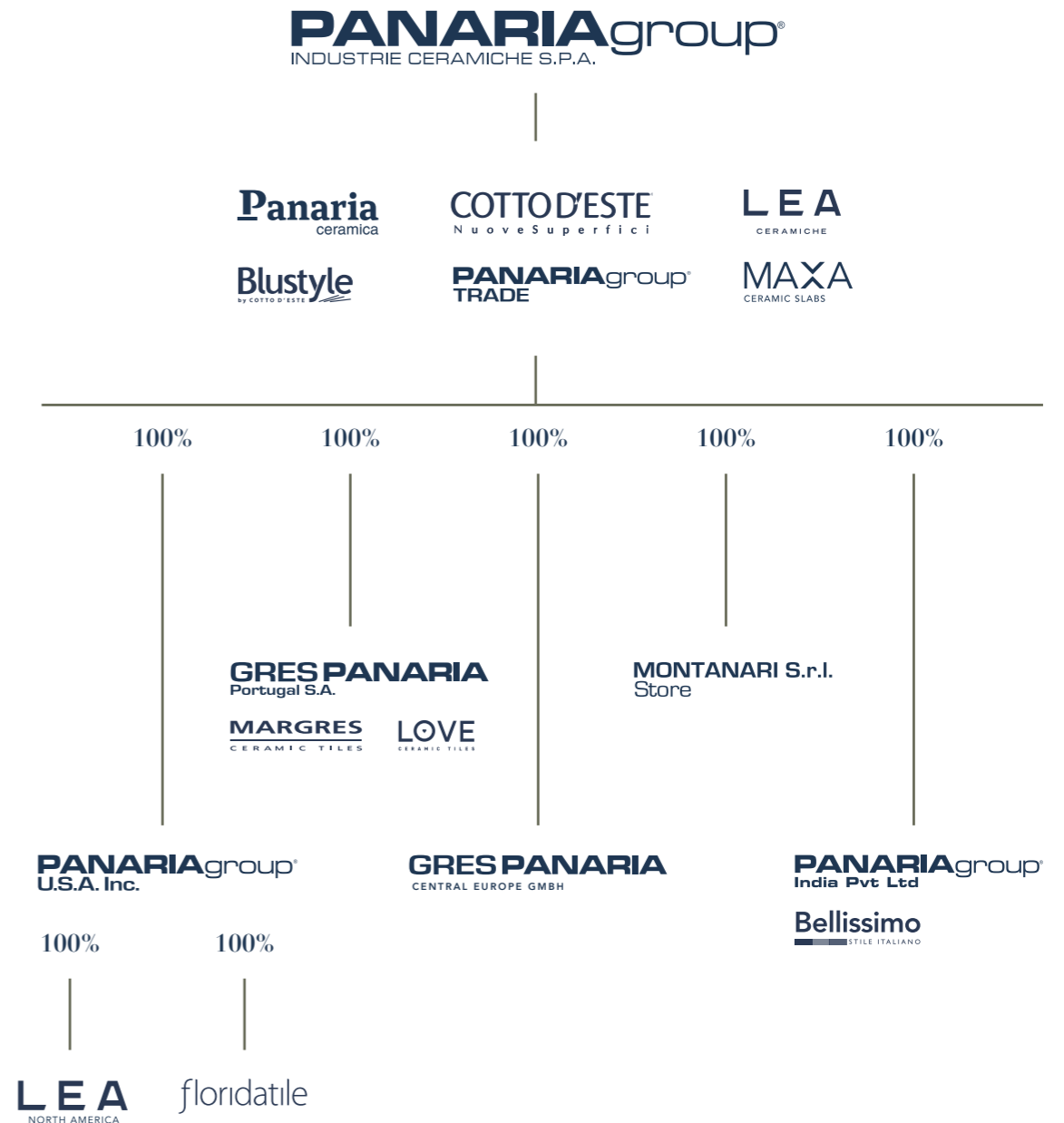
The Group's driving force is its **6 production plants**, located in Finale Emilia, Fiorano Modenese and Toano, Italy, in Ílhavo and Aveiro, Portugal, and in Lawrenceburg, United States. The Group also has two storage and shipping centres in Italy, located in Casalgrande and Sassuolo.

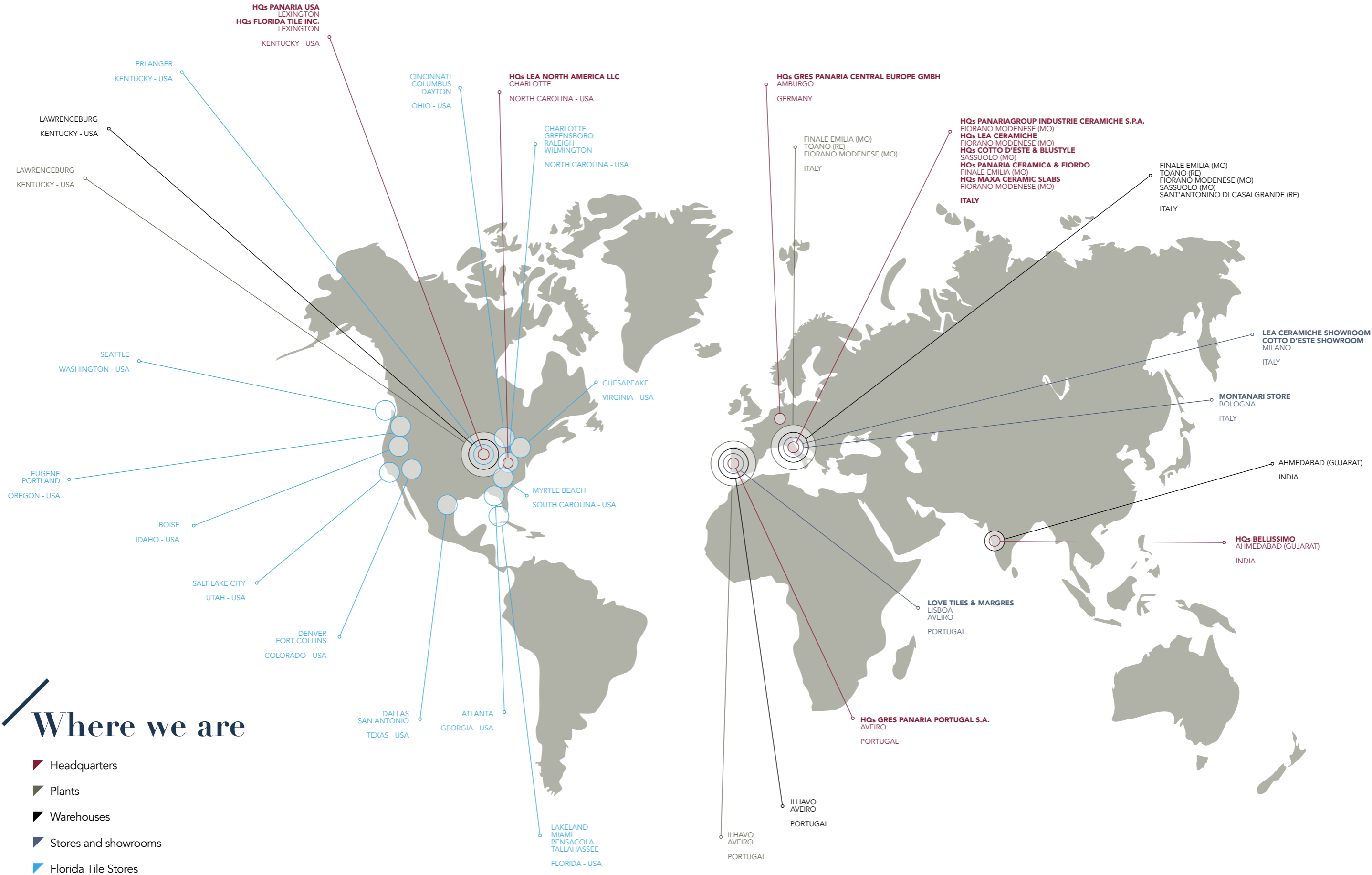
**Panariagroup has a large and widespread sales network** that covers Italy, Portugal, the United States, India and over 130 Countries worldwide. In fact, the Group's sales network supplies around 10,000 Customers worldwide, mainly retailers, but also distributors, construction companies and customers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

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

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

# the group





# Where we are

- Headquarters
- Plants
- Warehouses
- Stores and showrooms
- Florida Tile Stores

# 2/4

## the group's values and principles

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

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

### values

The following values guide the Group's activities in order to create sustainable value:

#### technological leadership

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

#### aesthetic quality and excellence

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

#### responsibility

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

#### reliability

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



### principles

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

#### responsible communication and transparency

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

#### responsibility and regulatory compliance

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

#### ethics in commercial relations

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

## organisational structure and governance

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

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

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

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

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

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

## COMPOSITION OF THE BOARD OF DIRECTORS AS AT 31/12/2020

full name	role	executive role	auditing committee	related parties committee	remuneration committee
Emilio Mussini	Chairman and CEO	•			
Paolo Mussini	Vice-President and CEO	•			
Giuliano Pini	CEO	•			
Andrea Mussini	Administrator				
Giuliano Mussini	Administrator				
Silvia Mussini	Administrator				
Daniele Prodi	Administrator		•	•	•
Sonia Bonfiglioli	Independent Administrator		•	•	•
Tiziana Ferrari	Independent Administrator		•	•	•
Francesca Bazoli	Independent Administrator				

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

The Board of Directors also encompasses:

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

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.

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, USA and India) and drafting of the document. The members of this committee are representatives of different business functions: the Group Administration, Finance and Control Department, the Marketing Department and the Engineering, Quality and Environment Department.

With regard to the foreign Divisions (Portugal, USA, India and, in 2021, Germany), local contact persons have been identified who deal with the management and supervision of sustainability issues and the non-financial reporting process at local level, in order to guarantee direct and active involvement.

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<sup>®</sup>**, 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.



# 2/6

## sustainability risk management

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

The Group has defined a risk management and internal control system, which, together with the 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 targets in the following categories:

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

The Group, aware of the importance of non-financial risks, also covered by Legislative Decree 254/2016, 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 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 facilities, located in Italy, Portugal and the USA, have 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 operations using the best prevention and protection strategies**, including with the aim of reducing potential impact on production facilities.

**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 objectives, encouraging its suppliers to reduce the environmental impact of their activities and to safeguard natural resources.





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

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

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 assess the controls adopted in the ESG and quality areas, which produced its first results in 2020, limited to the Italian and Portuguese scope, and will continue during 2021.

#### 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’s companies.**

Furthermore, in 2018 Panariagroup prepared a **Group Code of Ethics that defines the principles, values and standards of social and environmental** responsibility that guide daily business actions. This code demonstrates the company’s commitment to implementing policies aimed at developing a culture of strong values in terms of ethics, justice and respect for human rights, inspired by the conventions of the International Labour Organization (ILO) and the OECD Guidelines for multinational enterprises, as well as by its participation in the *UN Global Compact*.

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 labour 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 has committed to initiating a process of monitoring and evaluation of their adopted ESG and quality measures.



#### Risk of failure to protect health and safety in the workplace

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

**Panariagroup has adopted an integrated Quality, Environment, Hygiene and Safety management** system aimed at ensuring protection and safety in the workplace. 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 accidents and incidents at work.

The Code of Business Conduct, aimed at the entire supply chain of goods and services, extends the Group’s commitment to health and safety in the workplace 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 **Organisational, 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 Business Unit and the American Business Unit, in order to extend their supervision and control of corporate, IT (cyber risk), environmental and health and safety matters (for details see 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 early 2020, the appearance of a new Coronavirus in China, known as COVID-19, which has rapidly become a global pandemic, is having significant economic and social repercussions.

The Company, as soon as it became aware of the seriousness of this phenomenon, adopted precautionary measures to protect the health of its employees and promptly updated its Risk Assessment Document (DVR) for all Italian plants, adding references to biological risk in accordance with the provisions of Legislative Decree 81/08. Since the biological risk from the Coronavirus epidemic is not an occupational risk, i.e. directly correlated with Panariagroup's production activities, the DVR has been prepared by mainly focusing on information actions and prevention measures to be adopted in different application scenarios.

On the basis of the DVR and the subsequent "Shared protocol for the regulation of measures to combat and contain the spread of the COVID-19 virus in the workplace" prepared by the government and social partners, **Panariagroup has provided basic information** for all its employees and contractors, including through the display of signage stands at the main transit points. In addition, specific PPE and hand hygiene equipment has been distributed.

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

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. In particular, during the year under review the Group obtained new medium/long-term loans totalling €43 million, facilitated by the special support measures resulting from the spread of COVID-19, signed "Covid moratoria" with the banking system totalling €22.9 million, and significantly benefited from measures such as the "Cassa Integrazione" in Italy, the Portuguese "Lay off" and the American "Paycheck Protection Program" ("PPP"); the latter involved obtaining grants to support operating costs, primarily related to staff, totalling €5.6 million. For further discussion of the economic and financial repercussions of the current health emergency, please refer to the "Economic responsibility" chapter in this document.

In addition, the Group has identified the following connected risks:

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

For further details, please refer to the "Risk Management" section of the Director's Report in the Consolidated Financial Statement as at 31 December 2020.

## 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 company activities**, thus guaranteeing the protection of its reputation and image in the market and among all stakeholders.

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

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 departments 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 the risk profiles of their commission. The SB took steps, with technical and legal support, to map risks and identify 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 is 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 the company's reputation.

In 2019, the information flows of the foreign companies (in Portugal and the USA) 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, **back in 2018, Panariagroup formalised a Code of Ethics identifying the set of values, behavioural regulations and principles of corporate ethics that Panariagroup**

**embraces, orienting its decision-making processes around these values.** 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 business 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's companies is based on, contribute to reinforcing its commitment towards an ever **greater responsibility to doing business with attention to social, environmental and ethical matters, as well as to the fight against active and passive corruption.**

In relation to the latter, it should be noted that for both 2019 and 2020 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 2019 and 2020 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 2019 and 2020, there were no significant fines 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 2020.

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

3/  
ECONOMIC  
RESPONSIBILITY

value

Value in its every form comes first, even before ceramic surfaces: it is the most important product created by our business. Creating Value and sharing it with people and communities is our true job, our greatest 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.

in evidence

Support for staff

**0.5 million euros**

We have invested over €0.5 million to tackle the COVID-19 emergency.

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We believe in innovation

**120 million euros**

Over the last 5 years, we have spent more than €120 million on innovation and technological upgrading.

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The chapter's material topics

**Economic performance.**

Our contribution to the SDGs



# 3 1

## the group's economic responsibility

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

Over the years, parallel to the economic development of the area, the technical ability of ceramic workers, who have begun to settle here, has also increased exponentially.

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. 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 in Kentucky).

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

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

**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.**

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

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

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

Despite the challenges posed by the pandemic, Panariagroup kept its relationship with investors and financial stakeholders constantly open in 2020, using the methods that became customary in 2020 (online meetings), which replaced participation at events and meetings at company sites.

The topic of greatest interest to investors and lenders was certainly the Group's plan of action to address the economic and financial effects of the spread of the pandemic, as well as the development prospects and initiatives under way to boost sales and margins in the wake of the pandemic.

The health emergency has further elevated the topic of sustainability as one of the most important for competitiveness in the medium to long term, including among financial stakeholders.



the year of the  
COVID-19 emergency:  
the company's response

## emergency management organisational initiatives



The impact of the health emergency at the beginning of 2020 meant that Panariagroup had to rapidly adapt its operating procedures, as well as certain organisational and governance practices. **The company has managed the health emergency by prioritizing its staff, their health and safety and that of their families.**

Faced with an initially uncertain and highly changeable emergency scenario, the Group worked from the outset to implement an effective and timely model that can provide a concrete and, if possible, pre-emptive response to the spread of COVID-19. Panariagroup's model was based on the creation of specific committees responsible for monitoring and managing the crisis, and the drafting of company protocols containing measures to combat and contain the virus, which 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 also presented a challenge that the Group has faced with commitment and determination through transparent, constant communication, both within the company and externally, the expansion of smart working methods and full readiness to provide its employees with all the tools and equipment necessary for business continuity, conditions that have enabled the Group's staff to carry out their work as efficiently as possible. In compliance with government lockdown measures, the Group was forced to halt its production activities, first at the end of

March in the 3 Italian plants, and then in the first half of April in the 2 Portuguese plants. Production continued as normal at the Lawrenceburg plant, in Kentucky, an area that was comparatively unaffected by the overall situation in the US.

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

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

In particular, Panariagroup has ensured clear and transparent external communication with its main stakeholders, such as suppliers and guests, who have been notified of the company protocols adopted by the company and specific to their case, customers, who have been informed of the company scenario by e-mail, online channels (the Internet and social media) and press releases, and shareholders, for whom Panariagroup has followed the guidelines of Borsa Italiana and CONSOB, making a clear and explicit reference to the current situation and possible repercussions on the business.

In early May 2020, Panariagroup restarted its operations in all its departments, both in Italy and in Portugal. The production plants, which were previously closed to comply with government lockdown measures, resumed their regular service with reduced production operations, while the logistics and shipping offices, as well as other areas essential to ensure the Group's business continuity, have never stopped operating.

Management of employees' return to offices and production facilities was conducted in the same spirit as the Group's initial response to the emergency: clarity and proactivity. Once again, Panariagroup has been committed to creating a system capable of ensuring that work can resume **while fully respecting the health and safety of its staff and in particular of individuals identified as most at risk.** To this end, the Group has updated its company protocols and communicated, both internally and externally, the provisions contained therein.

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

3  
/2

## generated and distributed economic value

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

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

	2020 thousands of €	2019 thousands of €	difference thousands of €	variation %
<b>Economic value generated</b>	<b>351,129</b>	<b>400,645</b>	<b>(49,516)</b>	<b>(12.4)</b>
Value distributed to Suppliers	231,009	271,882	(40,873)	(15.0)
Value distributed to Staff	83,958	96,225	(12,267)	(12.7)
Value distributed to Lenders	4,152	4,440	(288)	(6.5)
Value distributed to Shareholders	-	-	-	-
Value distributed to the Public Administration	(5,890)	(3,065)	(2,825)	92.2%
Value distributed to the Community	170	241	(71)	(29.5)
<b>Economic value distributed</b>	<b>313,399</b>	<b>369,723</b>	<b>(56,324)</b>	<b>(15.2)</b>
<b>Economic value retained</b>	<b>37,730</b>	<b>30,922</b>	<b>6,808</b>	<b>22.0%</b>

Comparison with the previous year shows a very significant decrease in the economic value generated of € 49.5 million (down 12.4%), which is the basis for the lower economic value distributed (down € 56.3 million), while the value retained by the company is up € 6.8 million. The decrease in economic value generated was closely linked to the spread of the Coronavirus pandemic, which caused a significant slowdown in economic activities, including that of the Group's sector.

The drop in the value distributed mainly had a significant impact on suppliers (-€ 40.9 million) and staff (-€ 12.3 million); with reference to the latter category, it should be noted that the lower remuneration distributed by the company was offset by government incentives that made it possible to almost completely absorb the negative impact on employees.

The negative remuneration of the Public Administration is related to the negative economic performance in the financial year, which led to recording of deferred tax assets for tax losses recoverable in subsequent years. The negative economic performance also led to the decision not to distribute dividends to shareholders, on the grounds that it was more appropriate to maintain the Group's capitalisation intact.

**In 2020 Panariagroup faced the negative effects of the COVID-19 pandemic with a proactive attitude.**



the year of the  
COVID-19 emergency:  
the company's response

## strengthening of the financial position (economic resilience)

The global health emergency posed an unprecedented challenge to the economic system due to its unpredictability, speed, intensity and global spread. In order to cope with this unprecedented and critical situation, the Group promptly set up a system for managing its activities aimed at preserving the company's assets and financial integrity.

In February 2020, as the situation worsened, it became clear that the virus would have a very significant impact and would develop rapidly, with expected effects on turnover, on collections and consequently on liquidity, which appeared to be the key issue in the economic and financial management of the emergency. The Group's Management therefore immediately stepped up monitoring of the main corporate variables, normally carried out on a weekly or monthly basis, increasing it to a daily basis, in order to promptly detect the first signs of a business slowdown.

At the same time, detailed financial plans were developed, envisaging, despite the uncertainty of the forecasts, a basic scenario, considered the most probable by Management, which in any case left room for worst-case situations, in order to assess the degree of resilience to changes in the main assumptions.

The main actions taken to address the expected financial impacts were:

- thorough overhaul of production planning, with the aim of substantially reducing warehouse stocks;
- substantial reduction in the investment budget, only confirming the capital expenditure of strategic importance;
- significant reduction in operating cost budgets, with particular reference to those of a commercial nature;
- slowdown in the introduction of new collections in the catalogue;
- timely planning of staff numbers, in line with the expected drop in turnover and recourse to social cushioning measures provided by individual national governments, such as the Italian "cassa integrazione", the Portuguese "lay off" and the US "Paycheck Protection Program";
- request for moratoria from financial institutions on outstanding mortgages for instalments due in 2020;
- request for new medium-to-long-term financing, with the goal of expanding the availability of short-term facilities.

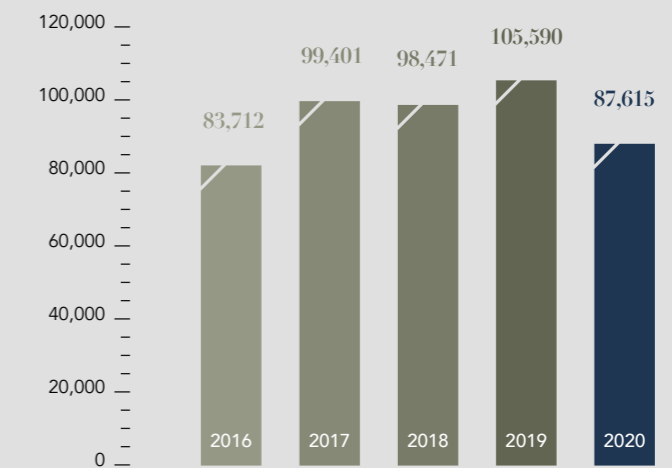
**The implemented actions proved to be effective and put the Group in a very sound position, which allows it to face the coming months, which are likely to remain**

**difficult, with confidence and determination.**

The effectiveness of the activities carried out is evident above all in the performance of the net financial position (pre-IFRS 16), which improved significantly, going from € 105.6 million at 31/12/2019 to € 87.6 million at 31/12/2020 (-€ 18.0 million), clearly reversing the growth trend that had characterized recent years.

### trend in net financial position, from 2016-2020 (€k)

Data in thousands of Euros



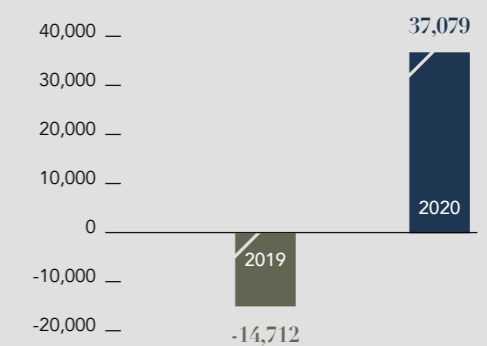
This important result is undoubtedly due to the policy of managing stock, which fell by € 20.2 million in 2020, enabling the generation of a positive cash flow. The result achieved is excellent, partly because it was obtained while maintaining a high level of customer service in terms of delivery times; this was made possible by very intense work on optimizing the processes of order portfolio management and production scheduling.

In addition to the improved net financial position, operations aimed at rescheduling medium/long-term debt were successfully completed, resulting in new medium/long-term loans totalling € 43 million and the granting of "Covid moratoria" by the banking system for € 23.4 million.

The obtainment of medium/long term loans made it possible to have a substantial liquidity reserve available; while in the previous year the balance between cash and cash equivalents and the use of short-term credit facilities was negative by € 14.7 million, in 2020 the balance was positive by € 37.1 million.

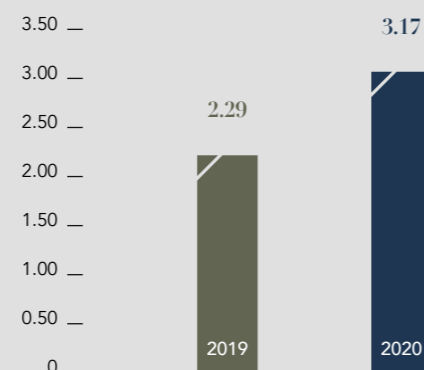
### Cash and cash equivalents use of short-term credit facilities (€k)

Data in thousands of Euros



The financial debt profile also changed positively, with the lengthening of average maturities; the duration increased from 2.29 at the end of 2019 to 3.17 at the end of 2020.

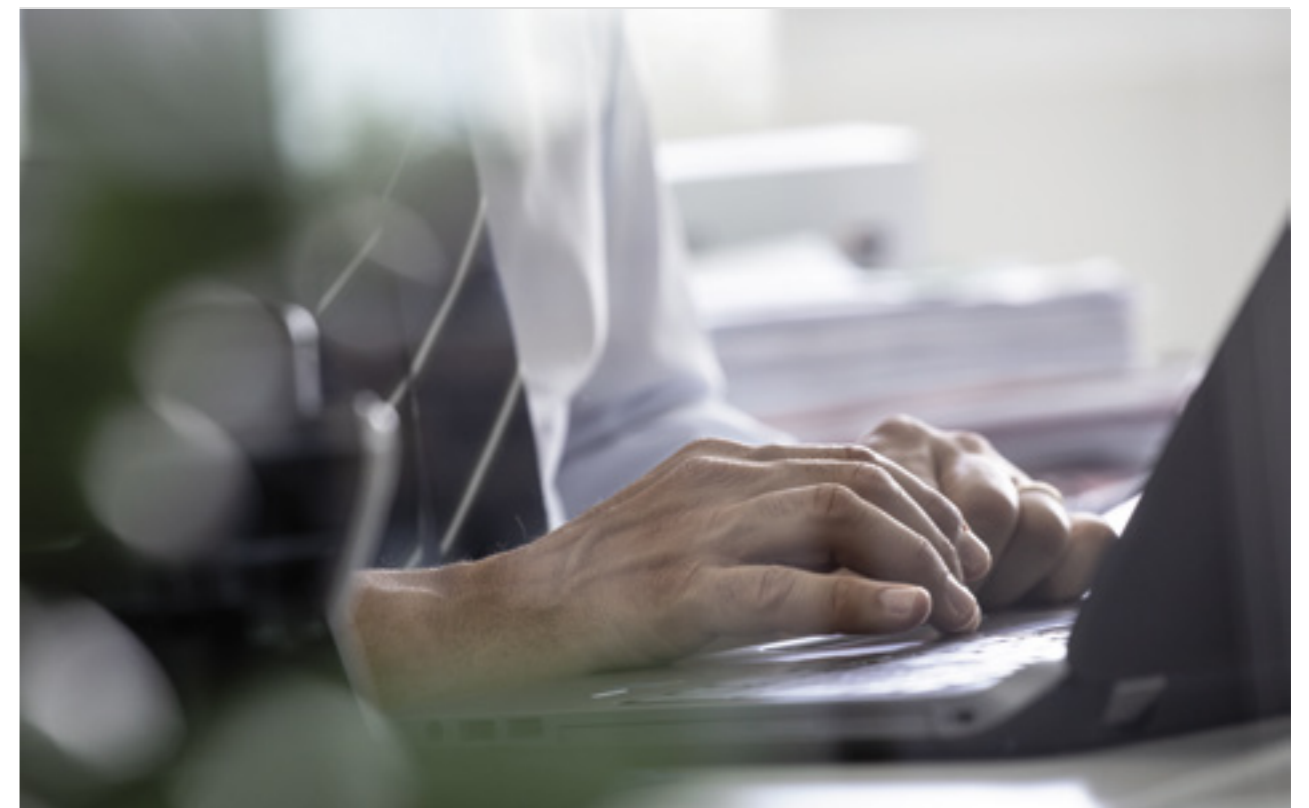
### Duration of financial debt



The situation described above, together with the financial projections for the next 12 months, made it possible to confirm the Group's ability to meet its financial commitments as they fall due, thereby positively responding to CONSOB's communications addressed to listed companies following the spread of the global pandemic, which emphasised the need for adequate checks on the "going concern" aspect. The year that has just ended will undoubtedly be remembered as one of the most important of the 21st century, not only because of what happened during 2020, but above all because of the changes that will ensue, both in the next few years and in the longer term. This is the perspective that must be adopted today, both for 2021 planning and for medium/long-term strategic planning.

The current situation is certainly more positive than it was a few months ago thanks to financial consolidation and increased awareness of the Group's resilience to adverse conditions. We are also counting on the effectiveness of the vaccination campaign and Prometeia's most recent forecasts (December 2020), which anticipate a "rebound" in ceramic consumption in the post-COVID era, at a global level, in addition to the benefits expected on the Italian market from the many building incentives (including the "110% superbonus").

Panariagroup also believes that, in the short term, it is best to maintain a careful and prudent approach and therefore confirm, at least for the first half of the year, policies of utmost caution with regard to balance sheet items (Net Financial Position and Net Working Capital), and significant containment of operating costs. However, the Group is already looking ahead, aware that, once the pandemic is over, it will have to operate in a scenario whose nature will have profoundly changed and which will require companies to interpret their role in a new way. It will be important **to gear our work towards new logistics and**



**distribution models, to understand the profound impact of digitalisation, to reflect on the evolution of the ceramic product and to consider different ways of organising work**, grasping the essence of a revolution that is impacting people's lifestyles. In this new context, the Group is operating with the conviction of already having strong values in its DNA, which complement the emerging culture.

Panariagroup is a company rooted in a great tradition, a producer of high quality and a reliable business partner; this strength, passed down over the course of its history, has been continuously renewed and now sees the Group as one of the leading ceramic companies in terms of sustainability; **a commitment that is reflected in concrete actions and goals achieved, which puts us in the ideal situation to face this transition towards the future.**

## 2020 financial results

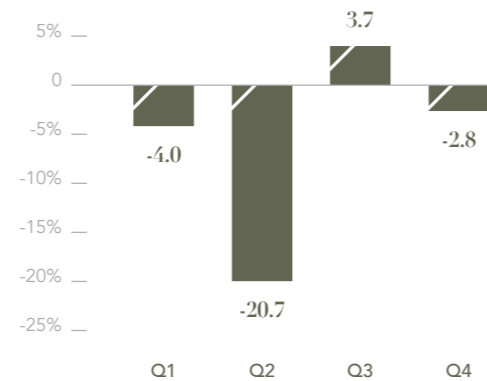
Analysis of the Group's economic and financial results in 2020 must take into account the particular context in which they occurred, characterised by the global outbreak of the pandemic.

The resulting global decline in ceramic consumption also negatively affected the performance of consolidated revenues, which fell from € 382.0 million to €357.3 million, down 6.5% compared to 2019.

The graph below shows the trend in revenues by quarter compared with the same period of the previous year.

### Turnover changes 2020 VS 2019 by quarter (%)

Percentage data



The trend in revenues during 2020 closely followed the course of the pandemic, with the first negative effects in the first quarter (particularly in March), which significantly intensified in the second quarter, coinciding with the most severe stage of the spread of the virus; the second part of the year saw a recovery in the summer months, only to slow down again in the last quarter, coinciding with the "second wave" of the pandemic.

The areas that experienced the greatest difficulties were the Italian market (-11.1%) and the Asian market (-25.8%), while the Group managed to contain the effects of the pandemic on turnover in Europe (-2.2%) and the United States (-3.6% in dollar terms).

Turnover in **European markets** fell (-2.3%) compared to the previous year, which can be considered very modest given the unique circumstances of 2020. There was a strong correlation between market trends and the spread of the virus, with the most significant declines concentrated in Spain, France and Great Britain; turnover also fell in Eastern Europe. By contrast, the trend in Germany, one of the main markets in the ceramics sector, was very positive.

The impact of the European markets on total revenues was 38%.

In the **US market**, the Group recorded a drop in revenues of 1.7% in US dollars compared to

the previous year, again managing to limit the negative effects of the pandemic on turnover. The US Business Unit, in particular, continued its growth programme in the large-scale retail channel with excellent results, while the more traditional sales divisions were negatively impacted by the pandemic.

The impact of the US market on total revenues was 36%.

Among the Group's main markets, the **Italian** market was certainly the most severely affected by the epidemic, with a drop of 11.1%; it should be remembered that Italy was the first European Country in chronological order to be hit by the virus and to implement strict containment measures, which had greater negative effects that were only partially offset in the following months. In this market, despite the uncertainty resulting from the COVID-19 emergency, there are good expectations of recovery linked to the building incentives planned for 2021 (the so-called "110% superbonus").

The impact of the Italian market on total revenues was 17%.

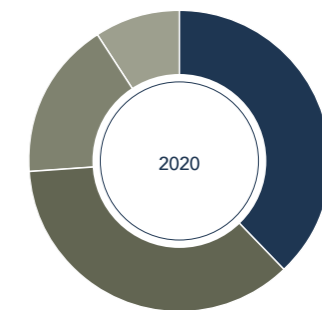
In the **other markets** (Asia, Canada, South America, Oceania and Africa), a negative performance was recorded, with a 20% drop in turnover. The greatest difficulties were encountered in the Far East; following the downturn in the first half of the year, there was no appreciable improvement in the second half. In the other markets, which are less important for the Group, turnover held steady in Oceania and significantly decreased in Africa. The impact of the "other markets" on total revenues was 9%.

The turnover of the Group's foreign markets is therefore equal to 83% of the total, with the share of non-European markets equal to 45% of total turnover.

### Composition of turnover, by geographical AREA 2020 (%)

Percentage data

- 38% Europe
- 36% USA
- 17% Italy
- 9% Other



Panariagroup's geographically diversified structure, both in terms of sales and distribution, as well as logistics and production, is an even greater strength in the current situation, characterised by restrictions on the movement of people and goods.

### OPERATING RESULTS

**Gross Operating Profit** came to € 37.5 million, representing 10.6% of the Production Value (€ 32.4 million as at 31 December 2019, equal to 8.1%). The improvement in margins is a significant result, especially considering the challenging circumstances in which it was achieved.

The drop in turnover compared to the previous year (-6.5%), mainly due to exogenous factors, had a significant impact on the Group's economic results, as did the shutdowns and slowdowns in production (volumes down 11.5% compared to the same period of the previous year).

In addition to the improvement initiatives already set out in the 2020 operational plans, the Group counteracted the unexpected drop in business by implementing a very decisive plan to offset the negative effects on profitability in other aspects of business operations.

The 2020 operational plan already incorporated important choices and initiatives in all the Group's Business Units and in all company divisions aimed at recovering profitability, which have ultimately paid off. We refer, in the commercial area, to policies to safeguard sales prices, optimisation of marketing and merchandising expenses and increased penetration into new sales channels and market segments.

Also in logistics and production, activities aimed at rationalising and standardising products and processes were successfully conducted, with major economic benefits, partly thanks to investments made in previous years. Alongside the development of these planned activities, it was necessary to conduct special initiatives aimed at tackling the significant impacts of the pandemic in an effective and timely manner.

The main goal of these initiatives was to reduce operating costs, with specific reference to staff costs and commercial expenses. In terms of staff costs, the reduction in hours worked, both in production and in services, was accompanied by benefits deriving from the measures introduced in Italy, Portugal and the USA by the respective national governments to safeguard employment; this meant that the impact on production value remained substantially unchanged.

Commercial costs were significantly reduced, partly in view of their limited effectiveness in a period of low market receptivity. The cancellation of traditional trade fair events (Cersaie and Coverings above all), meetings and trips, allowed other significant savings with respect to normal operations.

In 2020, the Group benefited from the reduction in gas and electricity tariffs for the European Business Units, factors that in the previous two years had placed a significant burden on the Group's income statement; expectations are positive for 2021, with tariffs aligned with those of 2020.

**EBIT pre-impairment was negative € 0.2 million** (negative € 4.9 million as at 31 December 2019). Compared with the previous year, EBIT (pre-impairment) was negatively impacted by higher provisions totalling €1.4 million; the uncertain economic situation made it necessary to maintain an adequate level of attention, especially regarding the risk of inventory obsolescence.

Despite higher provisions than in the previous year and strongly influenced by a particularly hostile and uncertain external context, EBIT (pre-impairment) was broadly balanced, which is certainly a very significant result.

**EBIT post-impairment was negative € 6.0 million** (negative € 4.9 million as at 31 December 2019). This result includes the effects of a write-down of the assets of the US Business Unit for \$6.3 million, following the Impairment Test carried out in accordance with the International Accounting Standards, which took into account more conservative business plans, especially in view of the uncertain development of the market in the context of the pandemic; it should be noted that this was a write-down of a purely accounting and non-recurring nature.

Amortisation/depreciation, including therein that deriving from rights of use, are slightly down (-3%) compared to 2019, while the total incidence on production value rose from 8.4% to 9.3%. In this respect, it should be noted that despite the prolonged downtime imposed by the lockdown, amortisation/depreciation were calculated at the full rate, in line with international accounting standards.

"Financial expenses" increased by € 1.2 million, mainly due to the trend in the USD/EUR exchange rate; while in 2020 we recorded an exchange rate loss of € 1.3 million, in 2019 we recorded an exchange rate gain of € 0.2 million.

The consolidated **Net Result** was a loss of € 5.8 million (loss of € 6.4 million as at 30 December 2019).

## PERFORMANCE OF MAIN BALANCE SHEETS

### Net Working Capital

Net Working Capital dropped by € 17.8 million (-14.0%) compared to 31 December 2019, due to a fall in Current Assets (mainly Inventories) of € 22.8 million (-9.7%) and a reduction in Current Liabilities of € 4.9 million (-4.6%).

The significant reduction in the NWC is the result of a management policy aimed at safeguarding liquidity as much as possible and therefore, with this goal in mind, the focus was on generating positive cash flow from the reduction in stock.

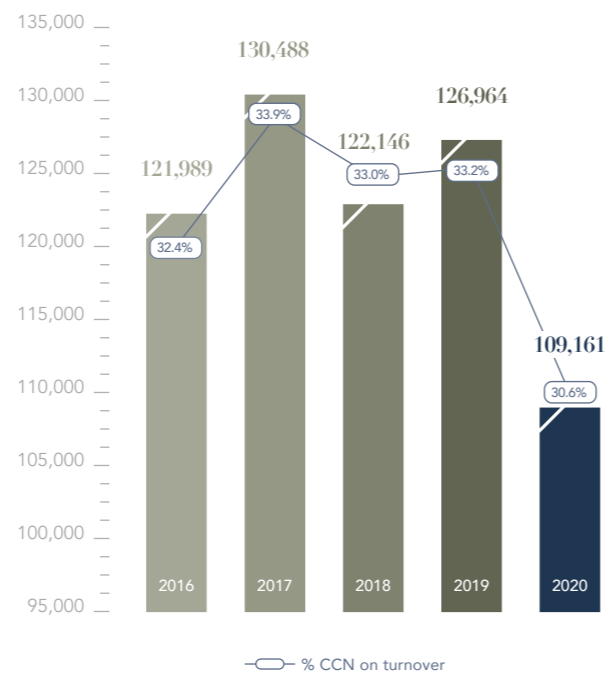
Trade Receivables are broadly in line as at 31 December 2019; during 2020, despite the extremely difficult economic context, there were no slowdowns in the flow of collections, except in the very first few months of the emergency with losses on receivables in line with previous years.



Payables due to Suppliers were slightly lower than at 31 December 2019, since production and investment activities resumed as normal in the second half of the year. We stress that the Group, even in the most difficult moments of the pandemic, continued to maintain excellent relations with all the suppliers, fulfilling the commitments undertaken and meeting the deadlines agreed upon.

The graph below shows the great value of the result obtained; the figure for 2020 is clearly the best in the last 5 years, both in absolute terms and as a percentage of sales; the Group's goal is to continue to build on the results achieved in 2021, making the improvement structural.

### Net working capital trend (€k) and turnover ratio (%), FROM 2016 TO 2020



### Non-current assets (net of Rights of use for leased assets)

Non-current assets (net of Rights of use for leased assets) decreased by €7.9 million since the beginning of the year, due to the following:

- Investments in the period totalling € 19.4 million, of which € 13.5 million made in Italy, € 2.2 million in Portugal and € 3.7 million in the United States;
- Amortisation and depreciation for the period of € 21.7 million;
- Impairment of intangible assets of € 2.8 million;
- Lower value of fixed assets expressed in euro of the US sub-consolidation, due to the depreciation of the US currency with respect to the end of 2019, amounting to € 2.8 million.



### Net financial debt prior to IFRS 16

The Net Financial Position pre-IFRS 16, amounting to € 87.6 million, improved by €18 million compared to 31 December 2019.

The policy of reducing financial debt has led to excellent results, with an overall improvement of €18.5 million and a substantial cash "reserve" of € 37.0 million at the end of 2020.

# 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
2016	38.1	10.1
2017	34.4	8.9
2018	19.2	5.2
2019	14.6	3.8
2020	19.4	5.4
<b>Total 2016-2020</b>	<b>125.7</b>	<b>6.6</b>

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 euros).

investments for business unit (M of €)	Italy	Portugal	USA	Group
2016	13.7	5.2	19.2	38.1
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
<b>2020</b>	<b>13.5</b>	<b>2.2</b>	<b>3.7</b>	<b>19.4</b>
<b>Total</b>	<b>56.8</b>	<b>33.6</b>	<b>35.3</b>	<b>125.7</b>
% of total	45%	27%	28%	100.0%
<b>% of turnover</b>	<b>5.8%</b>	<b>9.4%</b>	<b>5.4%</b>	<b>6.6%</b>

After the first half of the year, which saw the temporary suspension of investments pending full understanding of the developments of the pandemic and its effects on the Group, in the second half of the year **the planned investment projects were relaunched**, also taking into account the Group's significant financial consolidation during the year.

The most significant project was the installation of a new "Continuous Line" in the Finale Emilia plant, which will become fully operational in the first half of 2021. This is an innovative investment, supported by the Ministry of Economic Development as part of the "Sustainable Industry" call for tenders, which will lead to a significant improvement in productivity and greater efficiency, especially with regard to "large formats", while also having a positive profile in terms of Sustainability. The line will be further enhanced and developed next year.

At the Fiorano Modenese production site, which produces laminated stoneware, investments have been made to optimise internal logistics; in view of the strategic value of this type of product, the Fiorano plant will undergo a major overhaul of its logistics and production flows in 2021, which is expected to lead to significant reductions in product unit costs, since a larger part of the building will be available from the start of the year.

There are continuing investments in all the Group's plants to increase the proportion of machining operations (grinding, lapping and polishing) conducted internally; there is a considerable differential between the internal cost and the outsourced cost, which allows very rapid returns on investments. Internalisation of processing also has a clear positive impact in environmental terms, with a reduction in the movement of products with external suppliers and reduced use of packaging. The line will be further enhanced and developed next year.



At the Fiorano Modenese production site, which focuses on laminated stoneware and is therefore of great strategic importance, both in terms of business and sustainability, the expansion of the covered area of the plant was completed in 2020, with an increase of about 14,000 m<sup>2</sup>. This expansion will make it possible to significantly change the internal plant structure in 2021, with a consequent improvement in the logistical and production organisation; in connection with the reorganisation of internal logistical flows, the purchase of new laser-guided systems for the automatic handling of large format slabs is planned, with consequent optimization of the productivity of the internal processing lines (grinding and lapping). Moreover, a production line at the Fiorano plant will be completely revamped 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. Also in 2021, in this regard there will be a further upgrading of internal processing lines with the installation of a new lapping line and a new packaging line at the Finale Emilia site, enabling the processing and management of large formats (up to 180 cm side).

There will also be major investment in the Portuguese plants in 2021. Notably, in the Aveiro plant, a new pressing, drying and decoration line has been installed, with a consequent increase in the production capacity of large-format tiles (up to 120x120 cm) and optimization of energy performance. With regard to the Ílhavo plant, the reorganization of the layout of the sanding and grinding department with the installation of soundproofing systems to improve noise levels is certainly significant, especially from the standpoint of the well-being of production staff. Over a longer time frame, a well-defined business plan has been drawn up and will be implemented in individual steps, taking into account its financial sustainability and the actual return on investment.



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 business 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 manner in the management of its tax activities**, through behaviour geared towards compliance with the applicable tax regulations, undertaking to interpret them in a manner that respects their substance as well as their form, and maintaining a collaborative and transparent relationship with the tax authorities.

The choice of Countries in which the Group operates is guided by business considerations, 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 the 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 ones, 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, to ensure that the letter, 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 matters lies with the Board of Directors, while at executive level it falls to the Managing Director, who is also the director in charge of the internal control and risk management system. The Group CFO, who reports to the Managing Director, 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, during 2020 the Internal Audit Group, together with the Group CFO, defined a Tax Control Framework 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-assessment by Group Internal Audit and Group CFO that takes into account the Characteristics of the Process and the Type of Risk involved.

Implementation of the Tax Control Framework in the Italian Business Unit is planned for 2021.

#### Intercompany transactions

Intra-group 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 proposed if they are supported by valid economic/strategic reasons and 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 ENGAGEMENT

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 is still ongoing and the ruling agreement is expected to be concluded within 2021.

## COUNTRY BY COUNTRY REPORTING

Information relating to Country by Country Reporting for the 2020 tax year, for each tax jurisdiction in which the Group operates through its Business Units, is provided below:

	Italy	Portugal	Germany	USA	India
<b>Names of resident entities</b>	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
<b>Main activities of the organization</b>	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
<b>Number of employees</b>	783	445	-	457	39
<b>Revenues from sales to third parties (thousand of €)</b>	167,863	63,786	-	124,501	1,432
<b>Revenues from intercompany sales (thousand of €)</b>	16,519	7,451	-	-	385
<b>Pre-tax profit (loss) (thousand of €)</b>	(10,557)	1,551	-	(3,878)	(536)
<b>Tangible assets other than cash and cash equivalents (thousand of €)</b>	382,789	79,899	-	124,313	1,024
<b>Corporate income taxes paid on a cash basis (thousand of €)</b>	48	231	-	-	-
<b>Corporate income taxes accrued on profits/losses (thousand of €)</b>	(2,961)	(1,757)	-	(1,901)	(1)



# research

This word encapsulates all of Panariagroup's dynamism. Research is movement, it is forward momentum towards the future, it is raising the quality of life, it is delving into the deep complexity of challenges. Because the best version of us is never where we are, but should always be sought a little further afield.

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.

**in evidence**

For a healthy, safe and protected home

**3.8 million of m<sup>2</sup>**

In 2020, we sold more than 3.8 million m<sup>2</sup> of PROTECT® antibacterial surfaces.

The chapter's material topics

Product quality and design.

Sustainable innovation.

Customer satisfaction.

Protection of brands and reputation.

The quality of our products

**0.48%**

Complaints about sold products represent just 0.48% 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.

Our contribution to the SDGs



# 4 1

## Product quality, design and sustainability

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

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

Panariagroup is also a leading company in the production of **laminated porcelain stoneware**, a revolutionary product manufactured with an extremely innovative system, the result of a very advanced and high-performance technology. Panariagroup's laminated stoneware allows the creation of tiles characterised by reduced thickness (as little as 3 mm), produced in whole 100x300 cm and 120x278 cm 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 characteristic of Panariagroup's products: from the choice of raw materials to the next-generation industrial facilities, certifications and after-sales service. This all goes hand in hand with our sustainability choices, which represent a **continuous stimulus for innovation and process improvement**.

**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 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 Department**, 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 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.

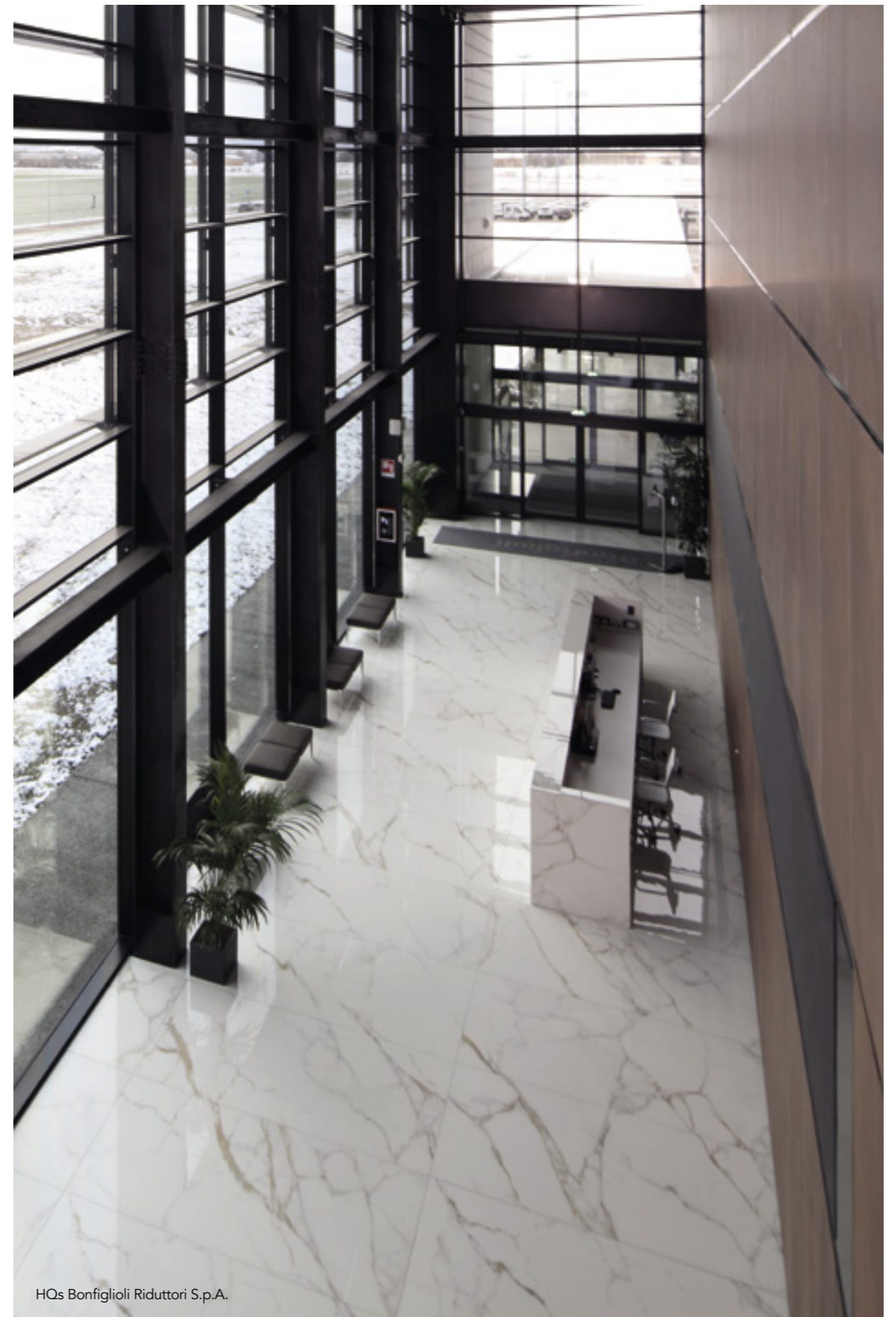
In over 40 years of business, the Group's management team has consolidated **exceptional skills and ceramic culture, which are expressed in the development of new ideas and in the finished product**, constituting a major asset in the creation of high-quality collections. This is demonstrated by Panariagroup's 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 2020, the Group contributed with its products and technical expertise to the implementation of several important projects at international level.** These include the **Centre for Environment, Fisheries and Aquaculture Science**, an executive agency of the United Kingdom government Department for Environment, Food and Rural Affairs. The redevelopment of the **"Principe Amedeo 5 Milano" building**, nominated for the Mies van der Rohe 2022 Prize; the **SK Group Headquarters**, the tallest building in Shanghai. **The Bonfiglioli Motoriduttori headquarters** in Bologna and **the Ugolini S.p.a Headquarters** in the Pavia area, a project by prestigious architects Barreca and La Varra. **The Court of Pescara**, for which marble-effect porcelain stoneware was used on the external façade to replace the natural stone. Some significant work was carried out on the cladding of **the BPER Banca branches**. A very special project was carried out with Kerlite slabs: a ship, **the Ciudad de Valencia Ferry**, testifying to the extreme versatility of the company's thin ceramic materials. The major project for the new **Parco del Mare in Rimini** also deserves a mention, featuring a significant supply of ceramic material for the new waterfront paths. There were also a number of projects involving **hospital buildings**, thanks to PROTECT® unique antibacterial material.

In 2020 Panariagroup also continued important **collaborations with architects and designers** for special projects: a renewed partnership with **Diego Grandi**, who conceived a project with notable retail inspiration for the stand used for the company's first appearance at the Euroshop exhibition in Düsseldorf in February; a fruitful collaboration was also resumed with **Ferruccio Laviani**, who designed the installation for the presentation of the Anthology collection in Lea Ceramiche's Milan showroom, and started an ambitious new project for the stand used by Panariagroup and its Italian and Portuguese brands at the next Cersaie.

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.

Finally, in 2020, Panariagroup completed the installation and commissioning at the Finale Emilia plant of an innovative production line named Linea Continua +, which represents a further important investment for the company, with the aim of making production more efficient and providing its customers with materials characterised by new formats and an increasing degree of flexibility.



HQs Bonfiglioli Riduttori S.p.A.

# 4 2 our brands

Panariagroup's brands, which have increased over the years to the current nine, all boast an equally strong international reputation and excellence from both an aesthetic and technical standpoint. **Each brand has a specific and distinctive character**, but they are all designed and developed to respond to the needs of a clientele which, though diverse, **demonstrates a particular attention to the quality and aesthetic style of the products**. Below is a brief description of each Panariagroup brand: all the brands operate in the ceramic sector for floors and walls and position themselves in the high-end and luxury segment of the market, but each has its own characteristics and peculiarities. A new Panariagroup brand made its debut in 2020: Maxa Ceramic Slabs, which offers large-format, high-thickness ceramic maxi-tiles.



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



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



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



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



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



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



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



BELLISSIMO 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.



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.

# 4/3

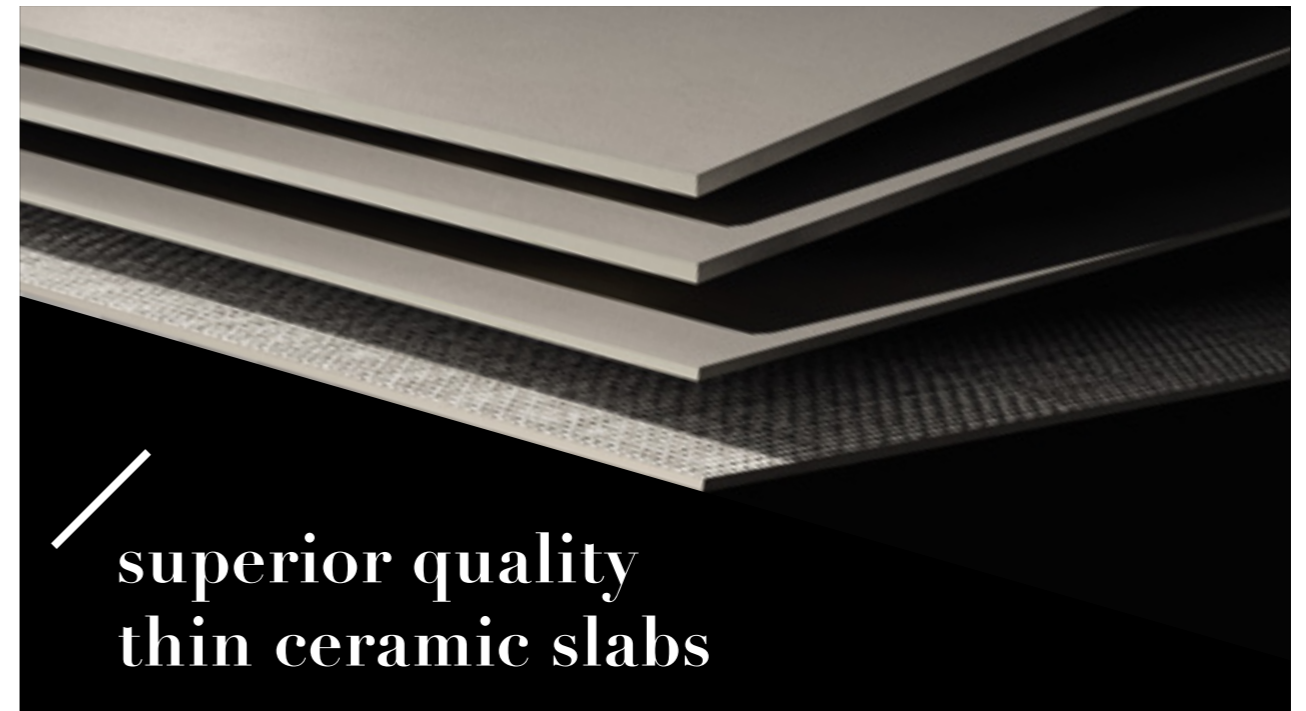
## innovation and technology

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 Clientele.

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.

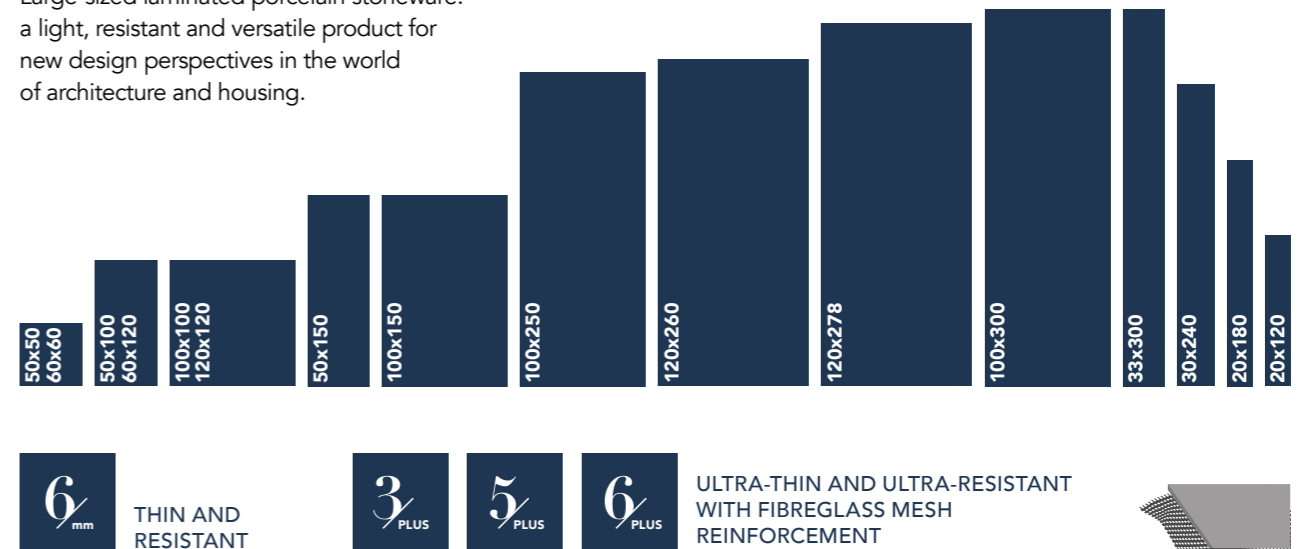
**Process and product innovation is a constant target for Panariagroup** and this is reflected in all its plants in Italy, Portugal and the United States. Development and evolution of the production lines, continuous research and excellence in the selection of raw materials variety and richness in surface 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 constant innovation capable of reinterpreting and evolving this technology for increasingly ambitious projects. This allowed Panariagroup to complete its range of thin materials with an **extensive and impressive set of formats and thicknesses**, produced through a successful and distinctive technology: formats to which 120x278 cm was added in 2020, which is particularly suitable for coverings.

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.



### moreover our slabs are:

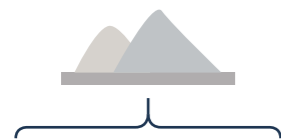
- ✔ **Thin, light** and suitable for renovation projects
- ✔ **Easy** to work with, handle and lay
- ✔ **Flexible** (minimum radius of curvature up to 5 metres)
- ✔ Perfectly **flat**
- ✔ **Reliable**, thanks to our experience in supplying this product globally for over 10 years
- ✔ Available in a **wide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

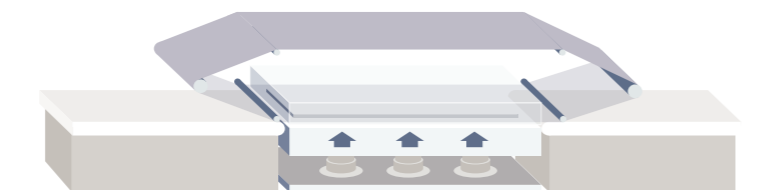
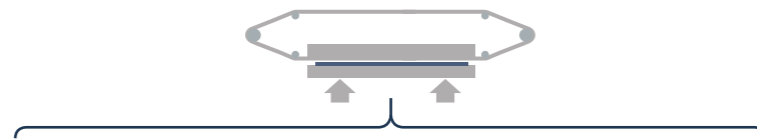
ONLY HIGH QUALITY BASE MATERIALS ARE USED, NO RECYCLED MATERIALS



Highest standards in quality and performance

2

Unique pressing process directly on conveyor belt

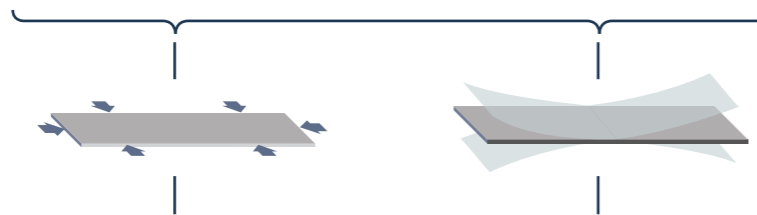


MATERIAL IS PRESSED FOR MORE THAN 1 MINUTE ON THE STATIONARY SLAB

PRESSING FORCE UP TO 27,000 TON

EVEN PRESSURE ON THE WHOLE SURFACE

COMPLETE DEAERATION VACUUM EFFECT



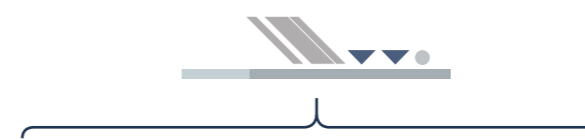
More compact slabs

More elastic slabs

Minimum radius of curvature up to 5 metres

3

Exclusive surface processing technologies

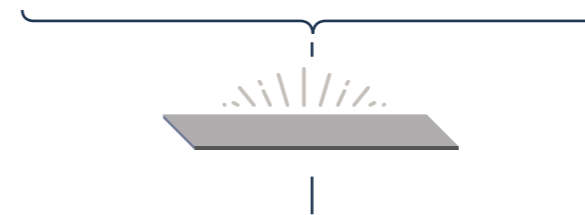


HIGH DEFINITION OF STRUCTURES

GREAT DEPTH OF THE GRAPHIC EFFECTS

HIGH STANDARDS IN COLOUR YIELD AND WHITENESS

MAXIMUM SURFACE SHINE AND EASY TO CLEAN

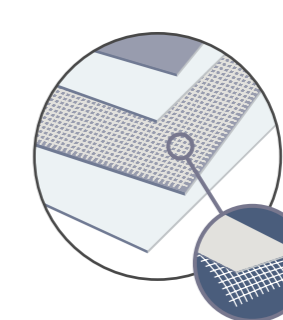
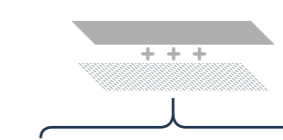


Excellent aesthetic yield of the products

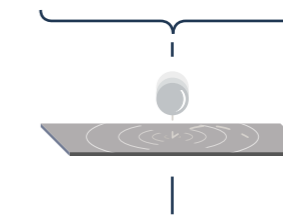
4

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% CO<sub>2</sub> EMISSIONS IN THE ATMOSPHERE

-66% POLLUTION CAUSED BY TRANSPORT

The data refers to a 3.5 mm thick product when compared to a 10 mm thick porcelain stoneware tile





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 2020 the company developed and 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.

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 2019 the Group sold around 3,400,000 m<sup>2</sup> of PROTECT products worldwide.

The PROTECT antibacterial surfaces have been designed by Panariagroup with a real silver ion antibacterial shield incorporated in the ceramic product, which eliminates up to 99.9% of bacteria from the surface and guarantees continuous protection night and day. Unlike other technologies, it is not an organic treatment applied to the finished product (such as waxes or resins): **PROTECT® 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 weather conditions, **PROTECT® makes it possible to improve people's lifestyles and living conditions.** The technology based on silver ions, which is permanently integrated in the tile at the time of firing, blocks the metabolism of bacteria, eliminating them and preventing their proliferation.

# 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 cleaning 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.

In 2020, Panariagroup also launched a new 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 in 2020 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.

The year of the  
COVID-19 emergency:  
the company's response

## protecting our customers' health



In 2020, health obviously became an increasingly **important priority for individuals and families**. This also applied to the domestic sphere, where the home became an even more important and crucial place for many people's lifestyles.

Even before the COVID-19 pandemic, according to the WHO - World Health Organization - people spent 90% of their time inside buildings. This is why living in a healthy environment was already considered so important. There was already a shift in purchasing towards products considered healthier and ethically superior. From organic foodstuffs to paraben-free detergents, the demand for products in line with our idea of well-being has certainly increased.

In recent months, due to the health emergency, there has been an increased awareness of the benefits of paying greater attention to the space we live in. Healthy environments have become a key aspect in creating a new ideal home ecosystem and ensuring maximum safety and security inside the home. It is therefore also increasingly important to protect health and well-being in the spaces we live in and/or spend time in every day, especially the home, the environment we expect to welcome and protect us.

This is why Panariagroup's mission to **provide its customers with products with optimal health characteristics** has become even more critical: a significant social responsibility issue to ensure the protection of consumers and their health, to which the company has been committed for over 10 years with the development of antibacterial technologies applied to ceramics, allowing it to actively contribute to the creation of a healthy space. **PROTECT® antibacterial materials are an excellent and reliable surface hygiene solution**, providing the home (and spaces in general) with a level of safety that is increasingly required.

This is also one of the reasons why in 2020 Panariagroup relaunched a major communication campaign on its own record. Between summer and autumn, several initiatives were launched to promote and raise awareness of the importance of protecting spaces with high-performance, high-quality solutions. These included the "Sicuri di essere sicuri" campaign, which was planned on digital channels in the last quarter of the year and introduced PROTECT® technology to a wide audience of consumers.

# 4/4

## customer satisfaction

Customer satisfaction goes hand in hand with our drive towards innovation and sustainability. The company's innovation is based on constant experimentation which, thanks to the development of cutting-edge production systems and technologies, allows Panariagroup to offer its customers a wide range of top-quality products that are positioned at the top of the market thanks to their **excellent technical 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 0.48% of total turnover (2019 figure<sup>9</sup>). Additionally, the Group is committed to handling any product issues 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 to give its customers 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 2020, more than 1,500 requests were handled (800 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. This service has also been developed for the American Business Unit and implementation in the company's management system is planned for 2021; the Portuguese Business Unit is also expected to follow suit.

In addition, Panariagroup provides its commercial partners with in-depth technical expertise on the use and application of materials, through information tools (technical manuals), with thorough staff training and specific training sessions, both at the company's sites and in customers' premises. **In 2019, around 1,000 people visited the Fiorano Modenese laminated porcelain stoneware plant, while 1,084 attended in-depth technical sessions on ceramic slabs at the company headquarters and over 800 attended sessions off-site in Italy and abroad.** 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 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, company 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 segments** such as designers, professional offices, architects, etc., with a sales team and a design and service unit that can efficiently and specifically respond to all the needs of these specific targets on a global scale. As at 1 January 2021, the structure was further strengthened, encompassing promotion activities for all the Group's brands, including on the Italian market.



<sup>9</sup> The data refers only to the Italy business unit. At the date of publication of this document, data for 2020 are currently being processed.

the year of the  
COVID-19 emergency:  
the company's response

## digitalization: remote working and new ways of dealing with customers



2020 was also the year in which Panariagroup accelerated the digital transition for many of the company's businesses. Firstly, in terms of remote work management, the company rapidly **converted to smart working** with the use of digital platforms for both internal communication (video meetings) and daily communication with customers.

The internal staff was also involved in **online training initiatives** on certain particularly strategic topics for the company (e.g. Protect antibacterial technology), and a specific refresher course was organised for sales staff on the use of social networks, including with a business development focus.

**Online training** also targeted the company's business stakeholders with some notable initiatives: Cotto d'Este created the Kerlitalks project, a series of webinars aimed at architecture and design professionals to illustrate the applications and technical properties of its products, while the Contract & Key-account Division promoted 3 further refresher webinars for architects on application topics with the issue of training credits.

Customer relations have also gradually shifted to the online world: both Cotto d'Este and Lea Ceramiche have set up an **online consultancy service** that allows all interested parties to request an appointment with one of the company's professionals for in-depth information on our products.

Another major step was **the virtualisation of product presentations**: unable to hold the usual face-to-face events with the sales force and customers, all the company's Sales Divisions adopted new 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.

Finally, in **2020 communication activities on digital channels were strengthened**, both on social media platforms and with search and display campaigns and collaborations with influencers. In this regard, the Protect project deserves a mention. The project was significantly relaunched in the autumn of 2020 with a multi-brand campaign managed in a combined way between social and digital channels, as well as the special projects on Panaria's Glam and Cotto d'Este's Wonderwall collections, which involved significant integration of PR and online initiatives.

2021 is already promising to be a year of further development: Panariagroup will launch on WeChat, the Chinese platform already used by over a billion users, and will release the first BIM objects to enter the new digital systems of planning, construction and integrated management of buildings.

# 4/5 system certifications

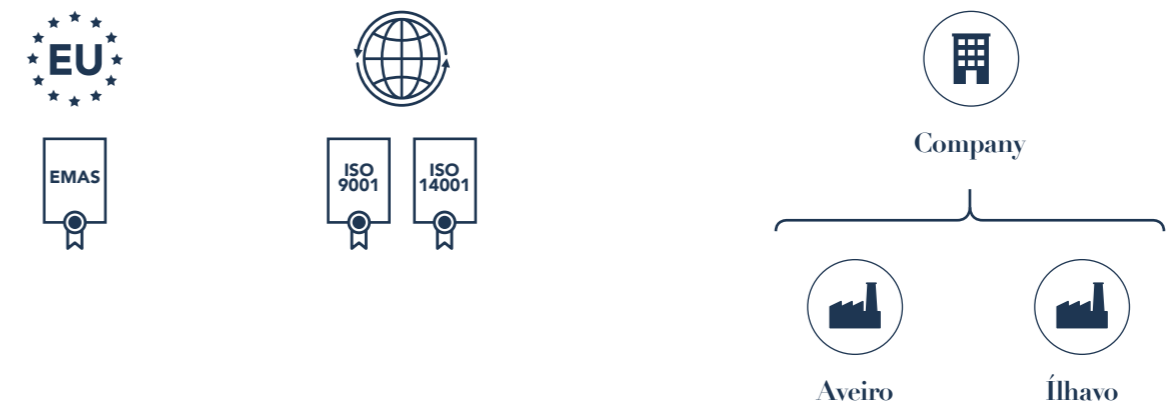
Panariagroup has adopted a **quality management system certified according to ISO 9001** which extends to all commercial divisions and services. This is further evidence of the Group's commitment towards ethical, environmental, safety and quality issues.

certification	description	field of application	Panariagroup Italy	Gres Panaria Portugal
 	In accordance to the ISO 9001 certification, every passage in the production process, from the arrival of the raw material to the packaging of the finished product, is verified by experienced personnel through accurate quality control. The quality of the Panariagroup production sites is audited yearly by an external agency through detailed visits.	Worldwide	Finale Emilia Toano Fiorano Modenese	Aveiro Ílhavo
 	In accordance to the ISO 14001 certification, all the environmental aspects concerned in the production of our tiles are constantly monitored, guaranteeing the use of the best technologies on the market in order to reduce the environmental impact. The environmental system of the Panariagroup production sites is audited yearly by an external agency through detailed visits.	Worldwide	Finale Emilia Toano Fiorano Modenese	Aveiro Ílhavo
	The EU EMAS Eco-Management and Audit Scheme for organization requires the creation of a complete system of environmental management based on constant improvement. The system is based on the establishment of a rapport of cooperation and trust with employees, local authorities and the public. An Environmental Declaration is the final product of such process.	EU	Finale Emilia Toano Fiorano Modenese	Aveiro Ílhavo

# Panariagroup Italy














# Gres Panaria Portugal

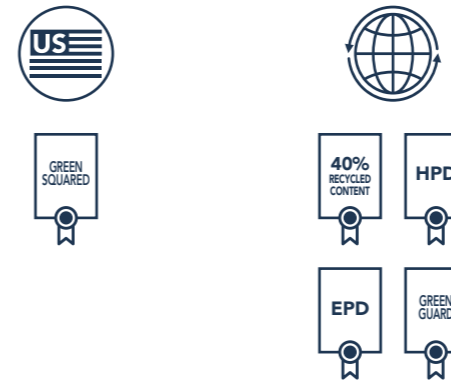


# 4/6 product certifications

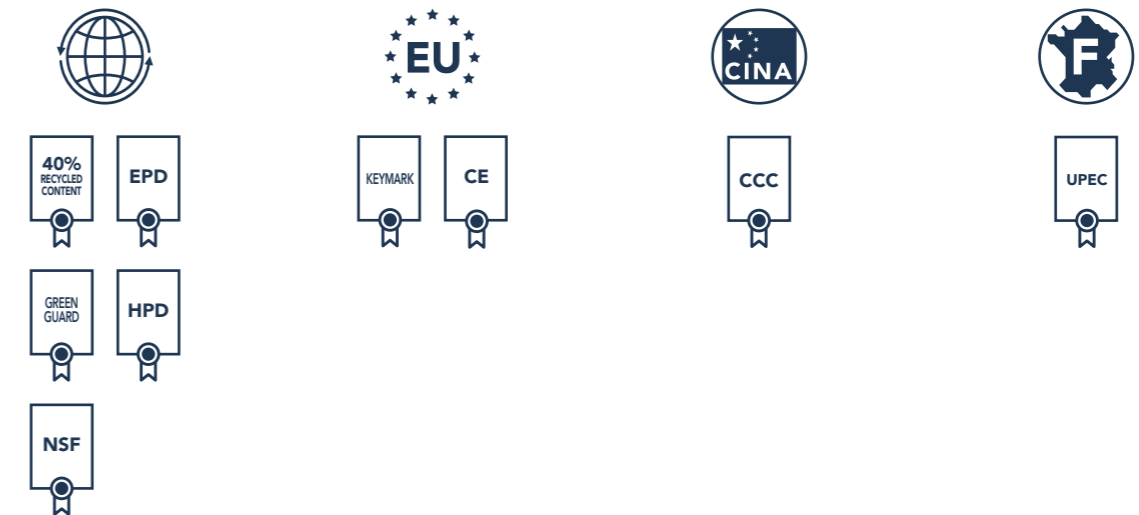
Below are the certifications obtained by Panariagroup for the products sold by the Group's companies operating in Italy, Portugal and the United States, **reflecting the Group's considerable attention and sensitivity towards ethical, environmental, safety and quality issues**. The process of obtaining NSF certification was completed for the Maxa Ceramic Slabs brand in early 2021.

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

protect

We have always produced surfaces for environments in which millions of people spend their lives, so we know what it means to act responsibly. We are therefore equally committed to protecting the environment around us.

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.**

**in evidence**

Plastic-free zone

**90,000**

Thanks to our water dispensers, we have avoided the purchase of more than 90,000 plastic bottles, we have avoided the emission of more than 5 tons of CO<sub>2</sub>e\*.

Water, a precious resource

**400,000 m<sup>3</sup>**

We recovered around 400,000 m<sup>3</sup> of water in the production cycle, equivalent to the capacity of more than 5,000 firefighting trucks\*\*.

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, avoiding the extraction of more than 34,000 tonnes of natural raw materials\*\*\*, halving our emission intensity in relation to the product unit (tCO<sub>2</sub> su m<sup>2</sup>)\*\*\*.

Consistent performance

**0.009 tCO<sub>2</sub>e/m<sup>2</sup>**

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

A new life for our waste

**98%**

In 2020, we sent 98% of our waste for recovery (+4% compared to 2019).

The chapter's material topics

**Energy resources and emissions management.**

**Water resources management.**

**Waste and wastewater management.**

Our contribution to the SDGs



\* Through the installation of water dispensers in the Italian Business Unit, the Group avoided 5.3 tCO<sub>2</sub>e between 2018 and 2020. For the calculations, an average weight of 0.025 kg was considered for a 0.5 l PET plastic bottle consisting of 50% virgin plastic and 50% recycled plastic (source emission factor: UK Government GHG conversion factors for company reporting, 2020).

\*\* An average capacity of 7,450 l 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, essential commitment, especially for those who create products that millions of people all around the world encounter in their daily life, at home or in public places.** The Group considers the aspects related to environmental impact and to safety and hygiene at the workplace to be of fundamental importance. Consequently, the policy adopted to manage the Group's activities is based on strong and precise principles:

- safeguarding the integrity of the environment that surrounds the manufacturing facilities as well as the environment within, thus protecting the environment as a whole;
- ensuring constant respect of the existing legal regulations regarding Safety and the Environment through ongoing and rigorous inspections;
- managing, preserving and, where possible, reducing the use of natural resources, through research and development activities focused on the use of recycled material and on energy efficiency policies;
- constantly improving its environmental approach to keep the production of pollutants and the consumption of resources to a minimum;
- providing constant information and maintaining an ongoing collaboration with the population and with public organizations regarding the environmental policies adopted, including the release of the EMAS Environmental Statement and, 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 certifications. The EMAS declaration reports on environmental performance and the pre-established improvement objectives. 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 product then undergoes strict and accurate quality control** and every collection is classified according to specific characteristics established by the law relating to ceramic tiles. Most of the collections have the requirements for obtaining credits from the main building certification systems, such as LEED. The Group is 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 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 2020, the Group's production facilities managed to avoid the extraction of large quantities of natural raw materials through the reuse of approximately 55,000 tons of production waste and to avoid the withdrawal of water from natural water resources through the recycling of approximately 400,000 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 topics related to workplace safety and hygiene. For the Italian and Portuguese plants, the specific details of these objectives are set out in the EMAS Environmental Statement. The Group's performance and objectives are set out annually in the Sustainability Report.

the year of the  
COVID-19 emergency:  
the company's response

## rethinking our spaces: 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

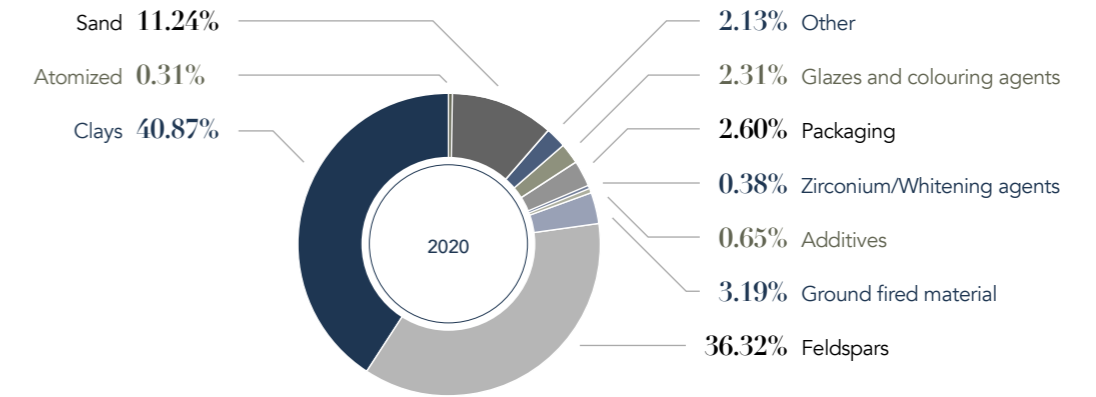
## Auxiliary additives

The main auxiliary additives are:

- ▣ Binding agents
- ▣ Fluidising agents



The chart below shows the main raw materials used by the Group in 2020. 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 2020

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 35% recycled material.** Both the glaze class and the class relating to raw materials for the mixture - which nonetheless contain natural materials such as clays, feldspars and sands - were considered as non-renewable materials.

With regard to the foreign sites, in 2020 the American Business Unit used almost 1,000 tons of corrugated cartons for PEFC or FSC-certified packaging, which accounts for more than 25% of total packaging, while Gres Panaria Portugal used 899 tons of corrugated cartons for FSC-certified packaging, which accounts for 91% of 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 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.

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

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

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



# 5/5 energy and emissions

Panariagroup plants mainly use electricity, natural gas and diesel fuel. In 2020, the Group consumed a total of 2,833,857 GJ of energy, down 10% from the previous year, of which 1,734 GJ was from renewable sources and 2,832,123 GJ was from non-renewable sources. Compared to 2019, decreases were recorded in relation to the purchase of electricity, fuel consumption for industrial vehicles and the car fleet, and natural gas consumption, while the amount of LPG used remained almost unchanged. The main changes compared to the previous year reflect the COVID-19 health emergency scenario, which led the Group to temporarily halt its production activities for a few weeks, first at the end of March in the three Italian plants and then in the first half of April in the two 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 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.**

Panariagroup constantly invests in improving energy efficiency in its plants. Every year, energy saving projects carried out by companies which, like Panariagroup, have decided to

significantly reduce the environmental impact of their activities, allow GSE (Energy Service Management) to award TEE (Titles of Energy Efficiency, also called White Certificates) in accordance with Legislative Decree of 20 July 2004, based on energy consumption compared to the sector benchmarks.

Furthermore, in 2013, Panariagroup's plants in Italy and Portugal joined the **"Emission Trading" system, regulating the exchange of quotas of CO<sub>2</sub> emitted during production**, as per Directive 2009/29/EC. Thanks to the plant design and installation choices made by Panariagroup in recent years, which have enabled us to achieve important results in terms of energy performance and therefore savings in methane gas consumption, all the company's production sites have been able to comply every year with ETS requirements, returning the CO<sub>2</sub> quotas to the control authorities without ever having to purchase quantities in excess of the quotas provided free of charge by the European Community. This important result has been achieved thanks to constant research, which has always been undertaken by Panariagroup at all its production sites, for innovative solutions to increase energy efficiency.

Three photovoltaic systems were installed at the Italian plants of Finale Emilia, Fiorano Modenese and Sassuolo, respectively 450 kWp with a surface of 4,200 m<sup>2</sup>, 85 kWp with a surface of 1,000 m<sup>2</sup>, 19.5 kWp with a surface of 220 m<sup>2</sup>, enabling them to produce electricity for internal consumption and to reduce CO<sub>2</sub> emissions. Thanks to these

energy intensity <sup>10</sup>		
year	u.m.	index
2019	GJ/m <sup>2</sup>	0.139
2020	GJ/m <sup>2</sup>	0.140

intensità emissiva <sup>10</sup>			
year	u.m.	index Scope 1 + Scope 2 (Location based)	index Scope 1 + Scope 2 (Market based)
2019	tCO <sub>2</sub> e/m <sup>2</sup>	0.009	0.010
2020	tCO <sub>2</sub> e/m <sup>2</sup>	0.009	0.009

# 162

tCO<sub>2</sub>

Emissions avoided in 2020 thanks to the photovoltaic installations at Fiorano Modenese, Finale Emilia and Sassuolo

# 2,833,857

GJ

Total energy used by the Group in 2020

10. The intensity values are calculated based on the m<sup>2</sup> of tiles produced during the year, which amounted to 20,179,156 m<sup>2</sup> in 2020 and 22,751,785 m<sup>2</sup> in 2019.

installations, the Group avoided the emission of 162 tonnes of CO<sub>2</sub> in 2020, a figure 18% lower than in 2019 due to maintenance work carried out on the installations, which led to partial operation during certain periods.

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

With regard to energy consumption, it is important to note that in relation to most other covering materials (parquet, natural stone and cork), it takes less energy to produce porcelain stoneware, partly thanks to modern systems and to its very high durability.

**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 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 an obligatory 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 measures 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 reduction in the consumption of natural gas and fuel for industrial vehicles and the car fleet, with LPG consumption virtually unchanged, was matched by a decrease in direct greenhouse gas emissions in 2020, compared to 2019, as well as 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's Companies and the electricity supplier (e.g. purchase of Guarantees of Origin), the emission factor relating to the national "residual mix" is used for this approach (for the emission coefficients used, see the relevant tables in the "Appendix" section).

Compared to 2019, the Group's direct and indirect emissions figures have significantly decreased thanks to **consolidated efficiency within Panariagroup's operational dynamics** and due to the impact of COVID-19 on production.

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 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 CO<sub>2</sub> emitted into the atmosphere can be observed<sup>12</sup>.**



11. The avoided CO<sub>2</sub>e emissions were calculated with the location-based method (Source: Terna, Confronti Internazionali, 2018 with emission factor gCO<sub>2</sub>/kWh for Italy).

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).  
\* Due to the updated emission factors, from 2020 indirect Market-based emissions figures are reported in tCO<sub>2</sub> and no longer in tCO<sub>2</sub>e. The proportion of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO<sub>2</sub>e), as shown in the relevant technical literature.

# 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 grinding of raw materials, preparation of the semi-finished products for glazing, washing of machinery – in particular of mills and glazing lines - and finally during the operations of lapping, cutting and rectifying the fired tiles.

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.

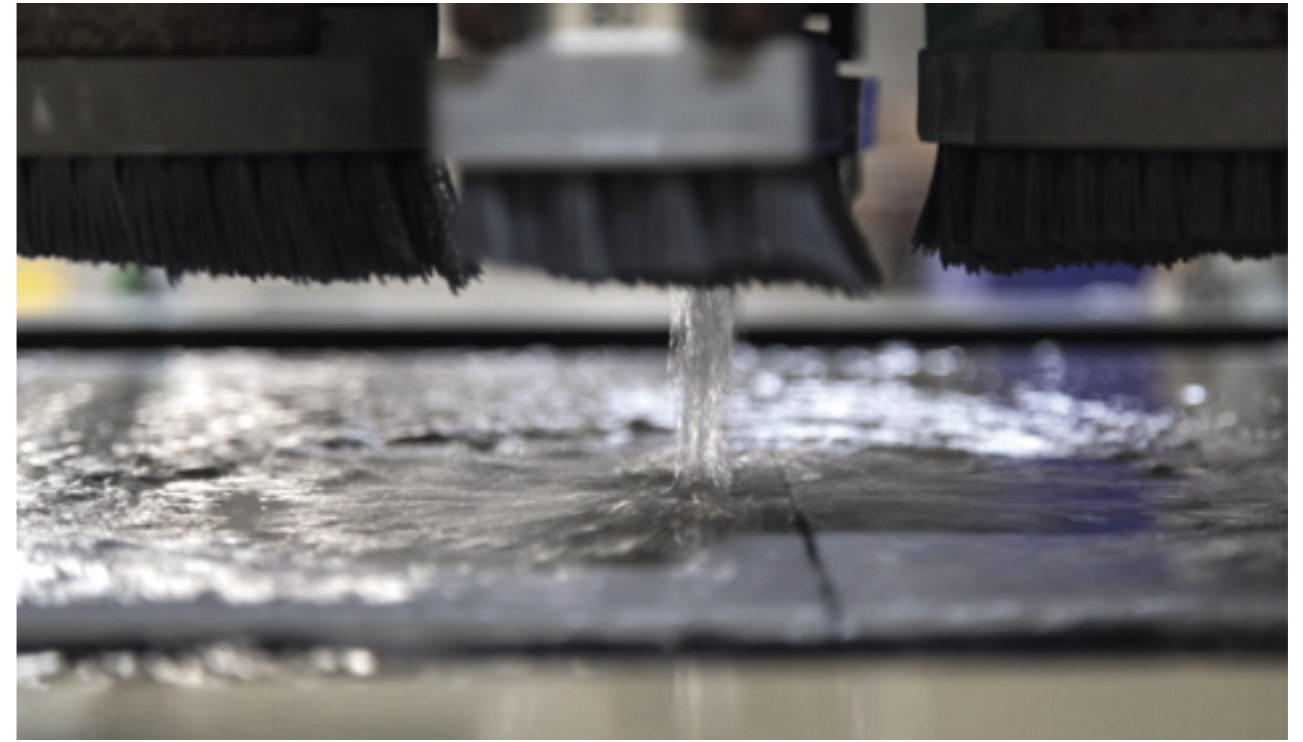
In terms of water resource management, **the Group has always focused on minimizing the environmental impact of its production activities and its water withdrawal has remained fairly stable compared to the previous year.**

In 2020, the total water withdrawal from production sites was just over 413 megalitres, an increase of 8% compared to 2019, as highlighted in the data in the "Appendix" section of this document.

Starting from 2019, **Panariagroup monitors the location of its production facilities 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. 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 facilities 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 annually prepared 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 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 around 400,000 cubic metres by 2020.

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

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

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



# 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 2020, the Panariagroup Group produced 65,890 tons of waste, of which 190 tons were hazardous waste (0.29% of the total).

2020				
waste <sup>13</sup>	Italy	Portugal	US	total
Recovered/recycled (t)	47,672	15,570	1,157	64,399
Disposal (t)	218	8	1,265	1,491
<b>Total (t)</b>	<b>47,891</b>	<b>15,578</b>	<b>2,421</b>	<b>65,890</b>
of which hazardous	170	20	-	190
% hazardous waste	0,35%	0,13%	0,0%	<b>0,29%</b>

During 2020, the Group continued to focus on waste recovery, a commitment that in 2020 led Panariagroup **to recover a total of 64,399 tonnes of waste, accounting for 98% of total waste produced**, a 4% increase in recovered waste compared to 2019. 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 factories recover 100% of the raw waste, amounting to about 38 thousand tonnes, which is then reintroduced into the production process. In the Italian factories and in the USA, 100% of the fired waste, amounting to about 17,000 tonnes, is reintroduced into the ceramic mix.

All data on waste management is shown in this document's "Appendix" section.

As regards the production of sewage sludge, one of the main items on the list of waste produced by the production plants, **an important environmental project has been completed at the Finale Emilia and Toano sites**. Wastewater from departments for the preparation of pastes, grinding and glazing were previously sent to a physical-chemical purifier that produced purified water, subsequently used in production, and ceramic sludge which, once filter-pressed, was sent away for recovery.

Following modification of the plant, the wastewater is now collected in a tank positioned in the paste preparation department and is used as it is in wet milling inside the continuous drum mills, bypassing the purification stage. This modification 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 modification to the Group's other production sites.

In the last three years, Panariagroup has generally recorded a significant decrease in terms of the quantity of waste produced, thanks to the high rate of recovered products and the efficient use of raw materials throughout all the production stages. It should also be noted that in relation to the specific initiative for the separate collection of plastic, paper and cardboard launched at the beginning of 2019 at all of the Italian BU's sites, more than 350,000 kg of waste were fully sorted in 2020 thanks to the use of numerous containers for the collection of plastic, paper and cardboard<sup>14</sup>.

0.29 %

Percentage of hazardous waste compared to the total waste produced by the Group in 2020 (0.34% in 2019)

65,890 tons

Waste produced by the Group in 2020 (70,694 tons in 2019)

98 %

Percentage of waste sent for recovery compared to the total waste produced by the Group in 2020 (94% in 2019)

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 future editions of the Sustainability Report.

14. The figure is estimated on the basis of weekly collections and the capacity, in litres, of the collection bins.

# 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 **introduction of automatic boxing machines** in the sorting lines within the production process.

In 2020, the Italian Business Unit purchased:

- 79% of recycled plastic for industrial use, a figure in line with 2019 that confirms the improving trend compared to previous years (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.

Although the chipboard lid for packaging has been retained for containerised box shipments, the phase-out of the chipboard lid for large-format packaging was implemented in 2020, resulting in significant environmental benefits by limiting wood consumption. Thanks to this activity, chipboard purchased within the Italian Business Unit was reduced by 68% compared to 2019, saving more than 415,000 kg of wood.

Panariagroup is also committed to the **recovery of waste materials that are reused by the market**. To this end, 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.

Moreover, in recent years the company has acquired **new automatic boxing machines that 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**.





# attention

It means care, it means diligence, it means intelligence, it means closeness. Doing business in an attentive way means being aware of the social role played by large groups like ours. Above all, it means always acting with the utmost care towards people, communities and local areas.

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



United in adversity

240,000

In Italy and Portugal, we have created a Solidarity Fund of more than € 240,000 for the employees most affected by COVID-19.

One priority: our people's health

1,500

In 2020, we offered our employees over 1,500 medical visits.

Safety first

-25%\*

We pay great attention to the safety of our staff. Our employee-related injury rate has steadily declined over the past 3 years.

\* Total workplace injuries Group 2017: 94. Total workplace injuries Group 2020: 70.



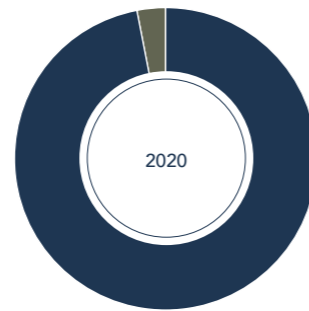
## our employees

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

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

### group employees by contract type as at 31/12/2020

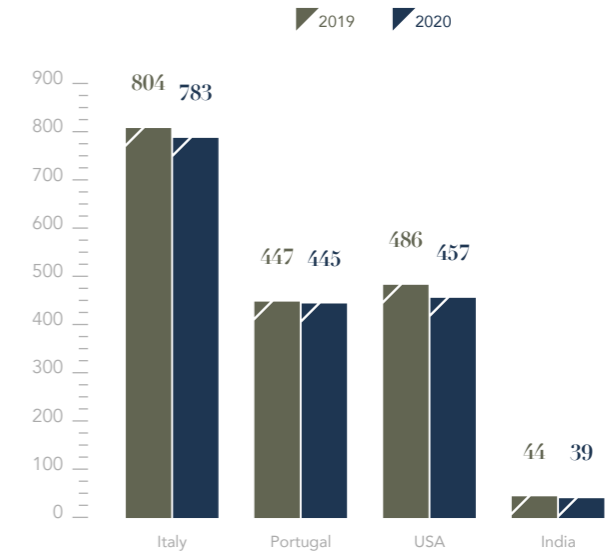
97% Undetermined  
3% Determined



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

As of 31 December 2020, the Group employed 1,724 employees, with 57 less new hires compared to the previous year.

### group employees as at 31/12/2020



In light of a slightly decreasing workforce, the Group's turnover **between 2019 and 2020 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 the 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 is committed to ensuring equal opportunities for employees and for those applying to become part of the organization.** At all of the Group's sites, respect for individuals and their religious, political and sexual orientation is encouraged and every kind of discrimination is prevented by promoting diversity, tolerance and acceptance.

With regard to the diversity management strategy, **people who are legally recognised as disabled are strongly integrated.** Careful assessment, 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 company 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 American 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 2020, as in 2019, 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 2020, 15 employees took parental leave, of which 3 were men and 12 were women. The rate of return from leave for 2020 was 88%, while the Group’s retention rate, calculated as the number of employees who took leave and are still company employees 12 months on, is 100% for men, 86% for women and 91% overall for the entire Group. **Employees have been able to make extensive use of the special tools available to address the COVID-19 emergency,** such as parental leave or leave of absence, to care for people with severe disabilities.

Flexible work arrangements obviously received a particular boost in 2020 due to the constraints imposed by the COVID-19 pandemic: remote smart work was introduced for a considerable proportion of the company’s employees, who were therefore able to safely continue their work. Increased use of this work organisation method has allowed department 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 assessed.

In 2020, an important project initiated in the previous year was followed up: **the employee survey** on the Italian Business Unit, **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 the staff. The listening survey was also extended to the employees of the Portuguese Business Unit in 2020 and made it possible to identify further opportunities for improvement.

Another employee engagement action started in 2019 was implemented in 2020: one of the ideas from the Sustainability Award, a prize for ideas that Panariagroup employees wanted to propose, was put into practice by the company. This is a **project for the recovery of filter-pressed grinding sludge,** which has led to the development of broader recovery measures for waste from the industrial process, which is used for the production of thick exterior products.

Great attention and emphasis is always placed on **employee welfare initiatives:** packages of benefits and services that the company updates and offers 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). Also in Portugal, a new cafeteria space was completed in 2020 with positive effects on the working environment and employee relations. 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 2020, 54 people were working on part-time contracts, a figure roughly in line with 2019.

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 2020, 71% of the Group’s employees were covered by collective bargaining agreements. In particular in Italy, where this percentage stands at 100%, over the years supplementary company-level agreements have been developed that stipulate better employment terms than those guaranteed by national agreements.

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



the year of the  
COVID-19 emergency:  
the company's response

## supporting employees

The major disruptions associated with the COVID-19 pandemic resulted in significant impacts on people: this was one of the priorities for which the company took significant action during 2020.

In the firm belief that protecting the safety of its employees also means ensuring that both they and their families have peace of mind, Panariagroup decided, in Italy and Portugal – the Countries where the Group has been most severely impacted by the lockdown and where redundancy fund measures have been put in place - to implement an initiative to support the staff most affected by reduced work.

**A Solidarity Fund has been created to which all managerial figures have been asked to contribute on a voluntary basis. They have been given the option to donate a percentage of their salary to employees who have seen their salaries fall due to recourse to the redundancy fund.** The entire amount collected was then redistributed, in the following months, to workers and employees in proportion to the number of hours of redundancy payments.

Panariagroup is proud of the management team's enthusiastic contribution to this concrete solidarity initiative to provide support to colleagues during this challenging time, demonstrating the social responsibility values upheld by the Group's employees on a daily basis. In Portugal, Panariagroup offered further support to its employees through the **creation of a collection of basic necessities**, including non-perishable food products and personal and household hygiene products, which were provided to families of employees in particular financial difficulty. All Portuguese employees were able to participate in the initiative, both as donors and as beneficiaries.

Finally, conscious that the COVID-19 emergency has also had a severe psychological impact on people, who have found themselves in a completely unprecedented situation, **Panariagroup has always maintained a constant dialogue with all its employees focused on supporting and understanding any personal individual and/or family needs.** In Portugal, for example, faced with a significant increase in remote working hours, suggestions and recommendations have been shared on how to ensure proper mental and physical well-being, as well as support with access to a list of useful numbers to call if necessary.



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 safety in the workplace.

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

Training activities on health and safety issues are provided throughout the Group, as required by local legislation. In addition, the Group has also offered its employees a wide range of training activities identified by the managers 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 2020 amounted to 6,432,** down more than 60% from 2019, of which 4,346 were provided to men and 2,086 to women, with a per capita Group average of 4. The 2020 figures reflect the effects 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. It should be noted, however, that a significant number of courses, not tracked within the systems, were nonetheless offered to employees through online platforms and free webinars.

With regard to the Italian Business Unit, several specific training and refresher initiatives were carried out in 2020.

The first one involved the internal sales network, which took part in a training program on certain specific topics that set the company's products apart: in particular, on Protect antibacterial technology, which was covered by a series of webinars.

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

Aware of the importance of product development for Panariagroup, an Industrial Product Management course was designed and only partially implemented due to the COVID-19

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

pandemic. To support Human Resources operators in adapting to the changes brought about by the transition to smart working, courses were provided on the correct use of the internal portal for the management of all the aspects related to employees.

Despite the difficulties of the new health emergency scenario, **the planning and provision of safety courses continued in all its forms in 2020** and, similarly, in the production departments, the practice of shadowing 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 the opportunity to learn the basic rules and behaviours for safety in the workplace, 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.

2020 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 was implemented in 2020 to enhance the training system with thousands of free courses available to employees,** including those created by internal staff; these include topics 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 topics 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; in 2020, the occupational health and safety course was updated with the goal of further limiting injuries. "Ergonomic training" is also offered in the facilities 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 injuries 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 competency management and development plan was completed in 2020: 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, initially for the production plant in Aveiro, 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 assessment 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 assessment processes, to facilitate comparison between different skill profiles and to identify employees with leadership skills. The Portuguese Business Unit's initial goal to extend the project to the Ílhavo plant during 2020 was postponed due to the COVID-19 health emergency.

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 2020 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 AIDA, the Portugal Business Unit is developing initiatives to strengthen competitiveness and to establish collaborations with international and national counterparts on issues of common interest, to promote the internationalisation of companies in the Aveiro Region, to encourage entrepreneurship and to promote vocational training, contributing to increasing employment and social inclusion.

In previous years and in different scenarios to that of COVID-19, the Portuguese Business Unit has also encouraged employees to participate in certain national and international days focused on raising awareness on issues of common interest, such as proper disposal of used batteries, sensible water consumption and the environment in general, responsible food chain management and workplace safety. These activities will be promoted again as soon as possible.



15. Associação Industrial do Distrito de Aveiro.

## health and safety in the workplace

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

In this unusual year, the Group has managed the COVID-19 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. Considerable emphasis was placed on the importance of communicating with all the staff regarding correct behaviour, procedures to follow and company initiatives to combat the virus. In this regard, information stations with instructions and all the necessary information have been set up in all the plants and offices of the various Business Units, in addition to further communications shared with employees via e-mail, video content and company notice boards; the Group has thereby taken care to keep all its employees immediately informed, including with regard to the protocols adopted by the company and periodically updated. For further details, please refer to the specific section on COVID-19 and measures to ensure employee health and safety.

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 accidents and injuries at work. The main mechanisms adopted are:

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

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

The Italian Business Unit reported a recordable workplace injury rate of 26.5 for its employees in 2020, an improvement on the previous year (28.4).

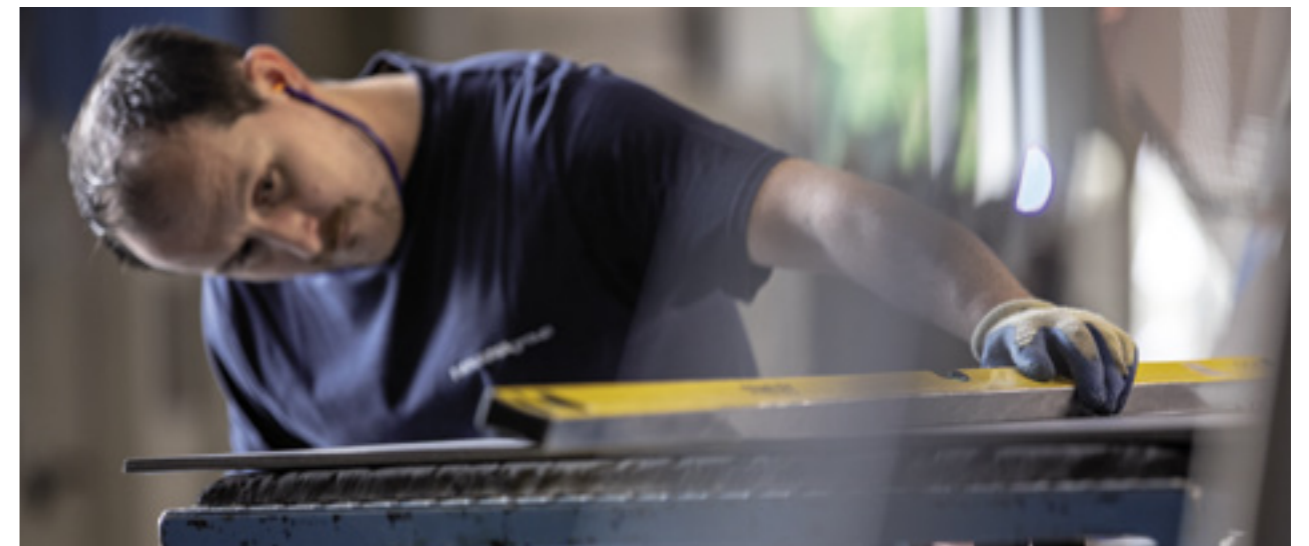
With regard to Portugal, the Margrès and Love Tiles plants have implemented an integrated Quality, Environment, Health and Safety system, certified according to ISO 9001, ISO 14001 and EMAS. The safety management system follows the principles of the relevant management standard (currently ISO 45001).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

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

In 2020, the Portuguese company kept its recordable workplace injury rate for its employees almost in line with 2019, at 28.5 (29.8 in 2019).

With regard to the American company, at Florida Tile internal procedures are used to keep employees focused on good work practices and on behaviour necessary to avoid potentially dangerous situations or risks connected to work in the various departments. According to guidelines based on, among others, OSHA, NIOSH and ANSI standards, the main management tools include internal procedures for analysing workplace risks, programmes for improving health and safety conditions in the workplace, promoting employee health and safety, including through the provision of medical and nursing services at work 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 safety of workplaces.



The American 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 American site, a "Safety Team" was formally established from 2020 with the aim of facilitating worker 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 injury rates and acts decisively to raise staff awareness through training and internal communications on aspects of safety at work and through appropriate training for new hires (specific mentoring with expert staff, correct use of personal protective equipment and provision of appropriate documentation on the subject).

In this respect, the US Business Unit achieved a recordable workplace injury rate of 18.9 for its employees in 2020, a significant improvement on the previous year (29.3).

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

**The Group also carefully considers health and safety when designing its products.**

The design and development of any Panariagroup product is conducted by qualified lab technicians, according to the guidelines established by a specific internal procedure that includes, whenever a new raw material is used, a **request to the suppliers for a safety protocol indicating all the material's toxicological characteristics**. All safety protocols are checked and verified before receipt of the material, and are stored in the same laboratory for future reference.

The process for the creation of a new product is carefully evaluated to **ensure that the activities related to the various phases of the production cycle do not negatively impact the environment or pose particular risks to workers' health and safety**. To demonstrate the Group's attention to employee health and safety, every plant has a list of operational safety instructions, describing the correct procedures for performing the most dangerous operations in the vicinity of the machinery.



**23.8** Recordable workplace injury rate - employees  
28.2 in 2019

**77** Recordable workplace injury rate - contractors  
61.6 in 2019

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## employee safety: protocols and communication



The outbreak of the pandemic required immediate and reinforced safety protocols for employees: a priority factor in which the company invested maximum energy from the earliest stages of the emergency. Panariagroup's model is based on the **creation of specific committees responsible for monitoring and managing the crisis, and the drafting of company protocols containing measures to combat and contain the virus.** The Group's protocols and guidelines are based on those shared by each government to combat and contain the spread of COVID-19 in the workplace. In drafting these guidelines, the Group has taken additional precautionary measures in order to further protect the health and safety of its staff and Panariagroup's business partners. The protocols included, among other things, clear regulations regarding:

- Management of people entering the company and access procedures for suppliers;
- Daily cleaning and regular sanitization of the premises;
- Personal hygiene precautions;
- Use of Personal Protective Equipment;
- Management of communal areas;
- Management of company organisation (smart working and flexible working hours);
- Management of travel, meetings and internal events;
- Guest management;
- Health surveillance by the company doctor;
- Management of symptomatic individuals in the company.

Panariagroup has always been committed to ensuring business continuity by providing, on the one hand, clear and constant communication about the changing circumstances and, on the other hand, by implementing the necessary measures to enable its employees to work as smoothly as possible via **smart work solutions**, a working method that has already been implemented by the American Business Unit for several years.

Panariagroup also made significant strides in the digitalisation of work, which required considerable effort in terms of information systems to enable all employees to work without inconvenience.

In addition to extending flexible working methods, Panariagroup has provided laptops and Internet access to employees who require them, demonstrating proactivity and timely decision-making, while ensuring efficient business continuity. The Group has also installed, on all devices, applications that enable remote operation and protection of the company's records.

With regard to its employees, **Panariagroup immediately organized, including in the periods leading up to the suspension of production activities in March 2020, a communication system designed to provide useful information on the nature of SARS-CoV-2, to monitor the continuous development of the situation and to ensure clear identification of the current context.** Through e-mails, video content, information on company bulletin boards and information totems, the Group has taken steps to immediately inform all its employees, including with regard to the protocols adopted by the company and updated as required. The first communications described the precautionary measures implemented by the Group, many of which are stricter than government recommendations and have been implemented as a matter of precaution for the health and safety of its employees, including the suspension of business trips, restrictions on visits by suppliers and customers, support for staff who, due to the suspension of school activities, have special requirements in terms of flexible working hours, and sharing of the recommendations that are periodically provided by each competent national authority.

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

**The Group has continually updated its company protocols and communicated, both internally and externally, the provisions contained therein.** It should be noted that in drawing up its safety protocols, Panariagroup has gone beyond the provisions of agreements with institutions and social partners, implementing even stricter and more rigorous protection and guarantee measures.

A key consideration in ensuring the health and safety of its employees was to **regulate those entering company premises**, both at the offices and at the production plants. To this end, the Group has banned the entry of anyone subject to quarantine measures by the health authorities, anyone who has been informed that they have come into contact with people who have tested positive for COVID-19 and anyone with symptoms directly

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

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

In addition to reorganizing access and workspace management, in order to guarantee a safe and appropriate environment for the resumption of work, Panariagroup has also **reorganized the routine cleaning of all work environments**, which has been stepped up and, in the production plants, rescheduled to coincide with shift changes. Toilet facilities, dining rooms, offices and door handles are cleaned daily by specialist companies. One or more containers of surface disinfectants with disposable paper towels have been placed in each office and employees have been given recommendations regarding the disinfection of their workstations and work equipment, which must be carried out at least twice a day, as well as advice on ventilation in the workplace. In accordance with national health recommendations, the Group has also taken steps to ensure regular sanitization of the premises, workstations and communal areas, guaranteeing sanitization in both offices and production departments.

**Panariagroup invested over half a million euros in equipment and safety, immediately undertaking to distribute masks, gloves and goggles to its staff on a daily basis**, making it compulsory to wear masks in the offices, except in certain cases. A formal record is kept of equipment delivered to employees through coordination with department/office heads or, in certain cases, through automatic collection systems with formal registration by reading the personal ID badge. If an employee loses their mask or it breaks, Panariagroup guarantees the supply of a new device. In Portugal, when surgical masks were supplied, employees were trained on the correct methods for their use, maintenance and removal.

In the event that someone present in the company premises has symptoms associated with COVID-19, Panariagroup has set out specific steps that must be taken, both internally in the case of employees, and externally in the case of suppliers and guests, in order to immediately implement corrective measures in accordance with the relevant government guidelines. Should someone present in the offices or in the production facilities develop fever and respiratory infection symptoms such as coughing, Panariagroup isolates them according to the provisions of the health authority. The individual is then promptly removed from the workplace to ensure their colleagues' safety and a safe workplace. If someone present in the company premises has tested positive for COVID-19, the Group commits to working with the health authorities to identify any close contacts of the person identified as positive. This will allow Panariagroup to implement the appropriate quarantine measures.



Management of the COVID-19 emergency therefore saw and continues to see the company mobilised from the earliest stages to protect health and safety: in line with this principle, **in spring 2021 Panariagroup made two of its sites** (Finale Emilia and Sassuolo) available for **the vaccination campaign** in response to an invitation from Confindustria.



## relations with local communities

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

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

The Group also actively contributes to the growth of local communities through **participation, donations and sponsorships relating to the development and improvement of local conditions.** The data concerning this commitment is shown in the appendix. A relevant example is the donation of tiles to local associations. Despite its positioning in the upper tier of the market and its high-end differentiation strategy, Panariagroup is committed to selling discontinued or slightly imperfect products at reduced prices to encourage the distribution of its products in markets and communities with lower purchasing power.

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

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

The Group is also a partner of the Maratona Dles Dolomites-Enel, an international amateur cycling race that attracts almost 10,000 participants to every edition. In 2020, the Group was again one of the main sponsors of Sassuolo Calcio, a team that reached the top tier of Italian football: in particular, thanks to this initiative, employees had the opportunity to go to the stadium to enjoy great football for free.

Finally, in 2020 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.

**170,000** euros  
value of money and products  
donated to local communities  
by the Group in 2020

## 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, in line with the goal stated in the previous Sustainability Report. 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. To date, over 240 of the suppliers considered most significant by the two Business Units have been involved and more than 50% of the assessments have been carried out. In Portugal, where this process has been concluded, 93% of the suppliers obtained a rating higher than "good" and, in general, the overall analysis of the results for all the assessment criteria enabled us to conclude that Gres Panaria Portugal's suppliers have, on average, a good overall rating.

The Group launched this project for the most significant suppliers with whom it already maintains a commercial relationship and, since it is an initial process and still in the development phase, no assessments of new suppliers on the basis of sustainability criteria (social and environmental ones) were carried out in 2020.

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

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

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

Attention to the following aspects is equally important:

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

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

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



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

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

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

**Panariagroup recognizes the importance of supporting and developing the local economy.** In this regard, the tables in this document's "Appendix" section show the expenditure on local suppliers, which for 2020 accounted for 88% of total expenditure (91% in 2019).

**The environmental, social and economic risks that may affect the supply chain deserve particular attention.** From an environmental perspective, the risks are related to the

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

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

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



17. "Local suppliers" were considered to be those suppliers with a registered office in the country in which each Business Unit operates.





ATTACHMENTS



## environmental data

For 2020, the scope of the environmental data refers to the Group companies that operate production sites. Companies with only commercial offices and Montanari Ceramiche S.r.l., a retail outlet for ceramic material, are excluded, since they are not considered relevant to an understanding of the Group's business activities and the impact of its products.

For 2020, a decision was also taken to report waste data using the new GRI 306 Standard, published by the Global Reporting Initiative (GRI) in 2020 to replace the version used until now, published in 2016. For comparative purposes, the figures for 2019 have been reported relative to total quantities divided by recovery and disposal.

### ENERGY CONSUMPTION

#### Total energy consumption

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>Total energy consumption (GJ)</b>	1,682,621	933,267	541,202	<b>3,157,091</b>	1,423,001	846,987	563,869	<b>2,833,857</b>
of which:								
from renewable sources (GJ)	1,976	-	-	<b>1,976</b>	1,734	-	-	<b>1,734</b>
from non-renewable sources (GJ)	1,680,645	933,267	541,202	<b>3,155,115</b>	1,421,267	846,987	563,869	<b>2,832,123</b>
<b>Energy intensity (GJ/m<sup>2</sup>)<sup>18</sup></b>	0.142	0.136	0.136	<b>0.139</b>	0.149	0.135	0.130	<b>0.140</b>

#### Self-produced and consumed electricity from renewable sources

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>Production of electricity from renewable sources (kWh)</b>	548,844	-	-	<b>548,844</b>	481,783	-	-	<b>481,783</b>
<b>Production of electricity from renewable sources (GJ)</b>	1,976	-	-	<b>1,976</b>	1,734	-	-	<b>1,734</b>
<b>Emissions avoided CO<sub>2</sub>e (t) - Location-based</b>	197	-	-	<b>197</b>	162	-	-	<b>162</b>

18. See footnote 3, p. 10, of this document.

#### Electricity purchased

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>Electricity purchased (kWh)</b>	77,132,495	46,672,550	30,955,200	<b>154,760,245</b>	67,514,657	44,714,122	30,748,800	<b>143,004,579</b>
<b>Electricity purchased (GJ)</b>	277,677	168,021	111,439	<b>557,137</b>	243,150	160,971	110,695	<b>514,816</b>
<b>CO<sub>2</sub> emissions (t) Location-based</b>	27,691	18,436	12,723	<b>58,849</b>	22,694	14,666	12,269	<b>49,629</b>
<b>CO<sub>2</sub> emissions (t) Market-based</b>	37,564	14,749	13,032	<b>65,344</b>	31,474	11,447	12,269	<b>55,190</b>

#### Natural gas consumption

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>LNG consumption (m<sup>3</sup>)</b>	38,523,585	21,147,261	11,934,957	<b>71,605,803</b>	32,390,279	18,977,734	12,620,603	<b>63,988,616</b>
<b>LNG consumption (GJ)</b>	1,378,898	756,937	427,195	<b>2,563,030</b>	1,158,330	678,675	451,333	<b>2,288,338</b>
<b>CO<sub>2</sub>e emissions (t)</b>	78,223	42,940	24,234	<b>145,398</b>	65,515	38,385	25,527	<b>129,427</b>

#### LPG consumption

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>LPG consumption (m<sup>3</sup>)</b>	-	612	19	<b>631</b>	-	624	22	<b>646</b>
<b>LPG consumption (GJ)</b>	-	65	2	<b>67</b>	-	67	2	<b>69</b>
<b>CO<sub>2</sub>e emissions (t)</b>	-	4.2	0.1	<b>4.3</b>	-	4.3	0.1	<b>4.4</b>

#### Fuel consumption for industrial vehicles

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>Diesel (l)</b>	388,953	71,824	65,938	<b>526,715</b>	342,674	61,927	47,318	<b>451,919</b>
<b>Diesel (GJ)</b>	13,960	2,578	2,367	<b>18,904</b>	12,285	2,220	1,696	<b>16,201</b>
<b>Petrol (l)</b>	-	-	2,166	<b>2,166</b>	-	-	-	<b>-</b>
<b>Petrol (GJ)</b>	-	-	70	<b>70</b>	-	-	-	<b>-</b>
<b>CO<sub>2</sub>e Diesel emissions (t)</b>	1,009	186	171	<b>1,366</b>	873	158	120	<b>1,151</b>
<b>CO<sub>2</sub>e Petrol emissions (t)</b>	-	-	5	<b>5</b>	-	-	-	<b>-</b>
<b>Total CO<sub>2</sub>e emissions (t)</b>	1,009	186	176	<b>1,371</b>	873	158	120	<b>1,151</b>

## Fuel consumption for car fleet

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Diesel (l)	278,651	157,882	-	<b>436,533</b>	206,554	141,005	-	<b>347,559</b>
Diesel (GJ)	10,001	5,666	-	<b>15,667</b>	7,404	5,055	-	<b>12,459</b>
Petrol (l)	3,394	-	4,023	<b>7,417</b>	3,053	-	4,361	<b>7,414</b>
Petrol (GJ)	110	-	130	<b>240</b>	98	-	141	<b>239</b>
CO <sub>2</sub> e Diesel emissions (t)	723	410	-	<b>1,132</b>	526	359	-	<b>885</b>
CO <sub>2</sub> e Petrol emissions (t)	7.5	-	0.4	<b>8</b>	7	-	0.4	<b>7</b>
Total CO <sub>2</sub> e emissions (t)	730	410	0.4	<b>1,140</b>	533	359	0.4	<b>892</b>

## EMISSIONS

### Total CO<sub>2</sub>e emissions

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
Direct emissions - Scope 1 (t) Energy	79,963	43,540	24,411	<b>147,914</b>	66,920	38,906	25,648	<b>131,474</b>
Direct emissions - Scope 1 (t) Raw material processing <sup>19</sup>	766	3,901	217	<b>4,883</b>	768	3,454	293	<b>4,515</b>
Direct emissions - Scope 1 (t) Total	80,729	47,441	24,628	<b>152,797</b>	67,688	42,360	25,941	<b>135,989</b>
Indirect emissions - Scope 2 (t) Location-based <sup>20</sup>	27,691	18,436	12,723	<b>58,849</b>	22,694	14,666	12,269	<b>49,629</b>
Indirect emissions - Scope 2 (t) Market-based <sup>20</sup>	37,327	14,749	13,032	<b>65,108</b>	31,474	11,447	12,269	<b>55,190</b>
Emissions intensity <sup>21</sup> total Scope 1+2 - Location-based (tCO <sub>2</sub> e/m <sup>2</sup> )	0.009	0.010	0.009	<b>0.009</b>	0.009	0.009	0.009	<b>0.009</b>
Emissions intensity <sup>21</sup> total Scope 1+2 - Market-based (tCO <sub>2</sub> e/m <sup>2</sup> )	0.010	0.009	0.009	<b>0.010</b>	0.010	0.009	0.009	<b>0.009</b>

### NO<sub>x</sub>, SO<sub>x</sub> and other pollutant emissions

	2019	2020
	t/year	t/year
NO <sub>x</sub>	96	102
SO <sub>x</sub>	19	20
Persistent organic pollutants (POPs)	-	-
Volatile organic compounds (VOCs)	72	70
Hazardous air pollutants (HAPs)	3	3
Particulate matter (PM)	44	53
Other emission standard categories identified in the applicable legislation	37	39

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

20. The emission factors reported by TERNA, Confronti Internazionali version 2017 and 2018, are expressed in tons of CO<sub>2</sub>, however the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas (CO<sub>2</sub>e) emissions, as can be inferred from the relevant technical literature.

21. The intensity values are calculated based on the m<sup>2</sup> of tiles produced during the year, which amounted to 20,179,156 m<sup>2</sup> in 2020 and 22,751,785 m<sup>2</sup> in 2019.

## Emission factors

	2020					
	Electricity (gCO <sub>2</sub> /kWh) - Location based <sup>20</sup>	Electricity (gCO <sub>2</sub> /kWh) - Market based <sup>20</sup>	Natural gas (tCO <sub>2</sub> e/m <sup>3</sup> )	LPG (tCO <sub>2</sub> e/ton)	Diesel (tCO <sub>2</sub> e/ton)	Petrol (tCO <sub>2</sub> e/ton)
Italy	336	466				
Portugal	328	256	0.002	2.94	3.029	2.942
US	399	399				
Source	Terna, Confronti Internazionali, 2018	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

	2019					
	Electricity (gCO <sub>2</sub> /kWh) - Location based <sup>20</sup>	Electricity (gCO <sub>2</sub> /kWh) - Market based <sup>20</sup>	Natural gas (tCO <sub>2</sub> e/m <sup>3</sup> )	LPG (tCO <sub>2</sub> e/ton)	Diesel (tCO <sub>2</sub> e/ton)	Petrol (tCO <sub>2</sub> e/ton)
Italy	359	487				
Portugal	395	316	0.002	2.94	3.088	2.998
US	411	421				
Source	Terna, International Comparisons, 2017	AIB, European Residual Mix, 2018 for Italy and Portugal, Terna, Confronti internazionali, 2017 for US	UK Government GHG conversion factors for company reporting, 2019	UK Government GHG conversion factors for company reporting, 2019	UK Government GHG conversion factors for company reporting, 2019	UK Government GHG conversion factors for company reporting, 2019

## Conversion factors

	2019	2020
LOWER CALORIFIC VALUE OF FUELS	LCV	LCV
Natural gas (GJ/m <sup>3</sup> )	0.036	0.036
LPG (GJ/t)	45.91	45.94
Diesel (GJ/t)	42.72	42.64
Petrol (GJ/t)	43.86	43.83
Source	UK Government GHG conversion factors for company reporting, 2019	UK Government GHG conversion factors for company reporting, 2019

# WATER AND WASTEWATER

## Water withdrawal

WITHDRAWAL SOURCE (ML)	2019		2020	
	All areas	Water-stressed areas	All areas	Water-stressed areas
<b>ITALY</b>				
Surface water	-	-	-	-
Groundwater	181	-	152	-
of which fresh water (≤1,000 mg/l total dissolved solids)	181	-	152	-
Seawater	-	-	-	-
Water produced	33	-	25	-
of which fresh water (≤1,000 mg/l total dissolved solids)	33	-	25	-
Third-party water resources	16	-	14	-
Fresh water (≤1,000 mg/l total dissolved solids)	16	-	14	-
of which surface water	-	-	-	-
of which groundwater	16	-	14	-
of which water produced	-	-	-	-
<b>Total water withdrawal</b>	<b>230</b>	-	<b>191</b>	-
<b>PORTUGAL</b>				
Surface water	-	-	-	-
Groundwater	160	-	154	-
of which fresh water (≤1,000 mg/l total dissolved solids)	160	-	154	-
Seawater	-	-	-	-
Water produced	18	-	18	-
of which fresh water (≤1,000 mg/l total dissolved solids)	18	-	18	-
Third-party water resources	6	-	5	-
Fresh water (≤1,000 mg/l total dissolved solids)	-	-	5	-
of which surface water	-	-	-	-
of which groundwater	6	-	5	-
of which water produced	-	-	-	-
<b>Total water withdrawal</b>	<b>184</b>	-	<b>177</b>	-
<b>US</b>				
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	37	-	45	-
Fresh water (≤1,000 mg/l total dissolved solids)	37	-	45	-
of which surface water	37	-	45	-
of which groundwater	-	-	-	-
of which water produced	-	-	-	-
<b>Total water withdrawal</b>	<b>37</b>	-	<b>45</b>	-
<b>GROUP TOTAL</b>				
Surface water	-	-	-	-
Groundwater	341	-	305	-
of which fresh water (≤1,000 mg/l total dissolved solids)	341	-	305	-
Seawater	-	-	-	-
Water produced	51	-	44	-
of which fresh water (≤1,000 mg/l total dissolved solids)	51	-	44	-
Third-party water resources	58	-	64	-
Fresh water (≤1,000 mg/l total dissolved solids)	58	-	64	-
of which surface water	37	-	45	-
of which groundwater	21	-	19	-
of which water produced	-	-	-	-
<b>Total water withdrawal</b>	<b>450</b>	-	<b>413</b>	-

## Wastewater

DISPOSAL SITE (ML)	2019		2020	
	All areas	Water-stressed areas	All areas	Water-stressed areas
<b>ITALY</b>				
Surface water	-	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	-	-	-	-
Groundwater	-	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Third-party water resources	14	-	13	-
Fresh water (≤1,000 mg/l total dissolved solids)	14	-	13	-
of which surface water	-	-	-	-
of which groundwater	14	-	13	-
Other type of water	-	-	0.04	-
of which groundwater	0.05	-	0.04	-
<b>Total wastewater</b>	<b>14</b>	-	<b>13</b>	-
<b>PORTUGAL</b>				
Surface water	8	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	8	-	-	-
Groundwater	23	-	55	-
of which fresh water (≤1,000 mg/l total dissolved solids)	23	-	55	-
Seawater	-	-	-	-
Third-party water resources	6	-	5	-
Fresh water (≤1,000 mg/l total dissolved solids)	6	-	5	-
of which surface water	-	-	-	-
of which groundwater	6	-	5	-
<b>Total wastewater</b>	<b>37</b>	-	<b>60</b>	-
<b>US</b>				
Surface water	-	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	-	-	-	-
Groundwater	-	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	-	-	-	-
Seawater	-	-	-	-
Third-party water resources	18	-	16	-
Fresh water (≤1,000 mg/l total dissolved solids)	18	-	16	-
of which surface water	18	-	16	-
of which groundwater	-	-	-	-
<b>Total wastewater</b>	<b>18</b>	-	<b>16</b>	-
<b>GROUP TOTAL</b>				
Surface water	8	-	-	-
of which fresh water (≤1,000 mg/l total dissolved solids)	8	-	-	-
Groundwater	23	-	55	-
of which fresh water (≤1,000 mg/l total dissolved solids)	23	-	55	-
Seawater	-	-	-	-
Third-party water resources	37	-	34	-
Fresh water (≤1,000 mg/l total dissolved solids)	37	-	34	-
of which surface water	18	-	16	-
of which groundwater	19	-	18	-
Other type of water	0.05	-	0.04	-
of which groundwater	-	-	0.04	-
<b>Total wastewater</b>	<b>68</b>	-	<b>89</b>	-

# WASTE

## Waste by treatment method and composition<sup>22</sup>

WASTE COMPOSITION (t)	2020			
	IT	PT	US	TOTALE
<b>Plastic</b>	245	79	-	<b>324</b>
of which disposed	-	-	-	-
of which recovered	245	79	-	<b>324</b>
of which hazardous	-	-	-	-
<b>Wood</b>	479	117	-	<b>596</b>
of which disposed	-	-	-	-
of which recovered	479	117	-	<b>596</b>
of which hazardous	-	-	-	-
<b>Paper</b>	368	172	-	<b>540</b>
of which disposed	3	-	-	<b>3</b>
of which recovered	365	172	-	<b>537</b>
of which hazardous	-	-	-	-
<b>Production waste</b>	45,804	4,799	1,121	<b>51,724</b>
of which disposed	119	-	-	<b>119</b>
of which recovered	45,686	4,799	1,121	<b>51,606</b>
of which hazardous	119	-	-	<b>119</b>
<b>Electronics and batteries</b>	10	3	1.5	<b>14</b>
of which disposed	-	-	-	-
of which recovered	10	3	1.5	<b>14</b>
of which hazardous	8	0.5	-	<b>9</b>
<b>Toners and varnishes</b>	0.2	-	-	<b>0.2</b>
of which disposed	-	-	-	-
of which recovered	0.2	-	-	<b>0.2</b>
of which hazardous	-	-	-	-
<b>Other waste</b>	984	10,407	1,299	<b>12,691</b>
of which disposed	96	8	1,265	<b>1,369</b>
of which recovered	888	10,399	34	<b>11,322</b>
of which hazardous	43	20	-	<b>63</b>
<b>Total waste produced</b>	<b>47,891</b>	<b>15,578</b>	<b>2,422</b>	<b>65,890</b>
of which disposed	218	8	1,265	<b>1,491</b>
of which recovered	47,672	15,570	1,157	<b>64,399</b>
of which hazardous	170	20	-	<b>190</b>
% waste recovered	<b>99.5%</b>	<b>99.9%</b>	<b>48.0%</b>	<b>97.7%</b>
% hazardous waste	<b>0.4%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.3%</b>

22. See footnote 13, p. 142, of this document.

	2019			
	IT	PT	US	TOTAL
<b>Recovered/recycled (t)</b>	51,293	15,028	300	<b>66,622</b>
of which hazardous (t)	64	7.9	0	<b>72</b>
<b>Disposal (t)</b>	1,072	0.4	3,000	<b>4,072</b>
of which hazardous (t)	171	0.4	0	<b>172</b>
<b>Total waste produced (t)</b>	52,365	15,029	3,300	<b>70,694</b>
% hazardous waste	0.45%	0.06%	0.00%	<b>0.34%</b>

# PRODUCTION

## Surface area and weight of tiles produced

	2019				2020			
	IT	PT	US	TOTAL	IT	PT	US	TOTAL
<b>Surface area of tiles produced (m<sup>2</sup>)</b>	11,880,819	6,886,752	3,984,214	<b>22,751,785</b>	9,582,016	6,256,745	4,340,395	<b>20,179,156</b>
<b>Metric tons of tiles produced (t)</b>	280,541	143,969	79,684	<b>504,195</b>	227,354	133,725	98,159	<b>459,238</b>



## human resources data

For 2020, 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 company Gres Panaria Central Europe GmbH, established in 2020, will start to actively operate during 2021 and has therefore not been included within the following overviews.

### NUMBER OF EMPLOYEES

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

	2019			2020		
	Men	Women	Total	Men	Women	Total
<b>ITALY</b>	<b>589</b>	<b>300</b>	<b>889</b>	<b>569</b>	<b>290</b>	<b>859</b>
Employees	529	275	804	514	269	783
Staff leasing workers	60	24	84	55	21	76
Apprentices	-	-	-	-	-	-
Interns/trainees	-	1	1	-	-	-
<b>PORTUGAL</b>	<b>418</b>	<b>139</b>	<b>557</b>	<b>431</b>	<b>134</b>	<b>565</b>
Employees	321	126	447	321	124	445
Staff leasing workers	97	11	108	110	9	119
Apprentices	-	-	-	-	-	-
Interns/trainees	-	2	2	-	1	1
<b>US</b>	<b>346</b>	<b>148</b>	<b>494</b>	<b>333</b>	<b>132</b>	<b>465</b>
Employees	340	146	486	325	132	457
Staff leasing workers	6	2	8	8	-	8
Apprentices	-	-	-	-	-	-
Interns/trainees	-	-	-	-	-	-
<b>INDIA</b>	<b>42</b>	<b>5</b>	<b>47</b>	<b>37</b>	<b>5</b>	<b>42</b>
Employees	40	4	44	35	4	39
Staff leasing workers	2	1	3	2	1	3
Apprentices	-	-	-	-	-	-
Interns/trainees	-	-	-	-	-	-
<b>GROUP TOTAL</b>	<b>1,395</b>	<b>592</b>	<b>1,987</b>	<b>1,370</b>	<b>561</b>	<b>1,931</b>
Employees	1,230	551	1,781	1,195	529	1,724
Staff leasing workers	165	38	203	175	31	206
Apprentices	-	-	-	-	-	-
Interns/trainees	-	3	3	-	1	1

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

	2019			2020		
	Uomini	Donne	Totale	Uomini	Donne	Totale
<b>ITALY</b>	<b>529</b>	<b>275</b>	<b>804</b>	<b>514</b>	<b>269</b>	<b>783</b>
Permanent employees	524	273	797	510	268	778
Fixed-term contract employees	5	2	7	4	1	5
<b>PORTUGAL</b>	<b>321</b>	<b>126</b>	<b>447</b>	<b>321</b>	<b>124</b>	<b>445</b>
Permanent employees	288	112	400	292	112	404
Fixed-term contract employees	33	14	47	29	12	41
<b>US</b>	<b>340</b>	<b>146</b>	<b>486</b>	<b>325</b>	<b>132</b>	<b>457</b>
Permanent employees	340	146	486	325	132	457
Fixed-term contract employees	-	-	-	-	-	-
<b>INDIA</b>	<b>40</b>	<b>4</b>	<b>44</b>	<b>35</b>	<b>4</b>	<b>39</b>
Permanent employees	40	4	44	35	4	39
Fixed-term contract employees	-	-	-	-	-	-
<b>GROUP TOTAL</b>	<b>1,230</b>	<b>551</b>	<b>1,781</b>	<b>1,195</b>	<b>529</b>	<b>1,724</b>
Permanent employees	1,192	535	1,727	1,162	516	1,678
Fixed-term contract employees	38	16	54	33	13	46

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

	2019			2020		
	Men	Women	Total	Men	Women	Total
<b>ITALY</b>	<b>529</b>	<b>275</b>	<b>804</b>	<b>514</b>	<b>269</b>	<b>783</b>
Full-time	521	229	750	507	224	731
Part-time	8	46	54	7	45	52
<b>PORTUGAL</b>	<b>321</b>	<b>126</b>	<b>447</b>	<b>321</b>	<b>124</b>	<b>445</b>
Full-time	321	126	447	321	124	445
Part-time	-	-	-	-	-	-
<b>US</b>	<b>340</b>	<b>146</b>	<b>486</b>	<b>325</b>	<b>132</b>	<b>457</b>
Full-time	339	145	484	324	131	455
Part-time	1	1	2	1	1	2
<b>INDIA</b>	<b>40</b>	<b>4</b>	<b>44</b>	<b>35</b>	<b>4</b>	<b>39</b>
Full-time	40	4	44	35	4	39
Part-time	-	-	-	-	-	-
<b>GROUP TOTAL</b>	<b>1,230</b>	<b>551</b>	<b>1,781</b>	<b>1,195</b>	<b>529</b>	<b>1,724</b>
Full-time	1,221	504	1,725	1,187	483	1,670
Part-time	9	47	56	8	46	54

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

	2019			2020		
	Men	Women	Total	Men	Women	Total
<b>ITALIA</b>	<b>529</b>	<b>275</b>	<b>804</b>	<b>514</b>	<b>269</b>	<b>783</b>
Senior managers	34	-	34	32	-	32
White-collar workers	170	106	276	165	109	274
Blue-collar workers	325	169	494	317	160	477
<b>PORTUGAL</b>	<b>321</b>	<b>126</b>	<b>447</b>	<b>321</b>	<b>124</b>	<b>445</b>
Senior managers	11	3	14	11	3	14
White-collar workers	45	57	102	43	59	102
Blue-collar workers	265	66	331	267	62	329
<b>US</b>	<b>340</b>	<b>146</b>	<b>486</b>	<b>325</b>	<b>132</b>	<b>457</b>
Senior managers	17	7	24	17	7	24
White-collar workers	106	108	214	92	104	196
Blue-collar workers	217	31	248	216	21	237
<b>INDIA</b>	<b>40</b>	<b>4</b>	<b>44</b>	<b>35</b>	<b>4</b>	<b>39</b>
Senior managers	3	-	3	2	-	2
White-collar workers	26	4	30	24	4	28
Blue-collar workers	11	-	11	9	-	9
<b>GROUP TOTAL</b>	<b>1,230</b>	<b>551</b>	<b>1,781</b>	<b>1,195</b>	<b>529</b>	<b>1,724</b>
Senior managers	65	10	75	62	10	72
White-collar workers	347	275	622	324	276	600
Blue-collar workers	818	266	1,084	809	243	1,052

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

	2019				2020			
	<30	30-50	>50	Total	<30	30-50	>50	Total
<b>ITALIA</b>	<b>37</b>	<b>445</b>	<b>322</b>	<b>804</b>	<b>38</b>	<b>412</b>	<b>333</b>	<b>783</b>
Senior managers	-	17	17	34	-	15	17	32
White-collar workers	14	183	79	276	18	165	91	274
Blue-collar workers	23	245	226	494	20	232	225	477
<b>PORTUGAL</b>	<b>44</b>	<b>252</b>	<b>151</b>	<b>447</b>	<b>41</b>	<b>247</b>	<b>157</b>	<b>445</b>
Senior managers	-	10	4	14	-	10	4	14
White-collar workers	11	67	24	102	8	66	28	102
Blue-collar workers	33	175	123	331	33	171	125	329
<b>US</b>	<b>80</b>	<b>250</b>	<b>156</b>	<b>486</b>	<b>82</b>	<b>229</b>	<b>146</b>	<b>457</b>
Senior managers	-	15	9	24	-	14	10	24
White-collar workers	26	108	80	214	24	104	68	196
Blue-collar workers	54	127	67	248	58	111	68	237
<b>INDIA</b>	<b>5</b>	<b>36</b>	<b>3</b>	<b>44</b>	<b>5</b>	<b>31</b>	<b>3</b>	<b>39</b>
Senior managers	-	1	2	3	-	1	1	2
White-collar workers	3	26	1	30	2	24	2	28
Blue-collar workers	2	9	-	11	3	6	-	9
<b>GROUP TOTAL</b>	<b>166</b>	<b>983</b>	<b>632</b>	<b>1,781</b>	<b>166</b>	<b>919</b>	<b>639</b>	<b>1,724</b>
Senior managers	-	43	32	75	-	40	32	72
White-collar workers	54	384	184	622	52	359	189	600
Blue-collar workers	112	556	416	1,084	114	520	418	1,052

## Number of protected class employees by category and gender as at 31 December<sup>23</sup>

	2019			2020		
	Men	Women	Total	Men	Women	Total
<b>ITALIA</b>	<b>25</b>	<b>14</b>	<b>39</b>	<b>21</b>	<b>12</b>	<b>33</b>
Senior managers	-	-	-	-	-	-
White-collar workers	2	2	4	2	2	4
Blue-collar workers	23	12	35	19	10	29
<b>PORTUGAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Senior managers	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-
<b>US</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>1</b>	<b>6</b>
Senior managers	-	-	-	-	-	-
White-collar workers	1	1	2	-	1	1
Blue-collar workers	1	-	1	5	-	5
<b>INDIA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Senior managers	-	-	-	-	-	-
White-collar workers	-	-	-	-	-	-
Blue-collar workers	-	-	-	-	-	-
<b>GROUP TOTAL</b>	<b>27</b>	<b>15</b>	<b>42</b>	<b>26</b>	<b>13</b>	<b>39</b>
Senior managers	-	-	-	-	-	-
White-collar workers	3	3	6	2	3	5
Blue-collar workers	24	12	36	24	10	34

## Composition of the Board of Directors as at 31 December 2020, by gender and age

NAME AND SURNAME	Gender	<30	30-50	>50
Emilio Mussini	M			•
Andrea Mussini	M			•
Silvia Mussini	F			•
Giuliano Mussini	M			•
Paolo Mussini	M			•
Giuliano Pini	M			•
Sonia Bonfiglioli	F			•
Daniele Prodi	M			•
Tiziana Ferrari	F		•	
Francesca Bazoli	F			•
<b>Men - 60%</b>				
<b>Women - 40%</b>				
<b>Age 30-50 years - 10%</b>				
<b>Age &gt; 50 years - 90%</b>				

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

## Employee new hires by gender and age<sup>24</sup>

	2019			Employee new hires as % of total	2020			Employee new hires as % of total
	Men	Women	Total		Men	Women	Total	
<b>ITALY</b>	<b>19</b>	<b>7</b>	<b>26</b>		<b>10</b>	<b>6</b>	<b>16</b>	
Age <30 years	8	2	10	27.0%	5	1	6	15.8%
Age 30-50 years	10	4	14	3.1%	5	5	10	2.4%
Age > 50 years	1	1	2	0.6%	-	-	-	0.0%
<b>Employee new hires as % of total</b>	<b>3.6%</b>	<b>2.5%</b>	<b>3.2%</b>		<b>1.9%</b>	<b>2.2%</b>	<b>2.0%</b>	
<b>PORTUGAL</b>	<b>22</b>	<b>10</b>	<b>32</b>		<b>14</b>	<b>3</b>	<b>17</b>	
Age <30 years	12	1	13	29.5%	8	1	9	22.0%
Age 30-50 years	10	9	19	7.5%	6	2	8	3.2%
Age > 50 years	-	-	-	0%	-	-	-	0.0%
<b>Employee new hires as % of total</b>	<b>6.9%</b>	<b>7.9%</b>	<b>7.2%</b>		<b>4.4%</b>	<b>2.4%</b>	<b>3.8%</b>	
<b>US</b>	<b>148</b>	<b>60</b>	<b>208</b>		<b>169</b>	<b>57</b>	<b>226</b>	
Age <30 years	56	21	77	96.3%	72	23	95	115.9%
Age 30-50 years	78	33	111	44.4%	75	25	100	43.7%
Age > 50 years	14	6	20	12.8%	22	9	31	21.2%
<b>Employee new hires as % of total</b>	<b>43.5%</b>	<b>41.1%</b>	<b>42.8%</b>		<b>52.0%</b>	<b>43.2%</b>	<b>49.5%</b>	
<b>INDIA</b>	<b>22</b>	<b>2</b>	<b>24</b>		<b>7</b>	<b>-</b>	<b>7</b>	
Age <30 years	3	-	3	60.0%	-	-	-	0.0%
Age 30-50 years	16	2	18	50.0%	7	-	7	22.6%
Age > 50 years	3	-	3	100.0%	-	-	-	0.0%
<b>Employee new hires as % of total</b>	<b>55.0%</b>	<b>50.0%</b>	<b>54.5%</b>		<b>20.0%</b>	<b>0.0%</b>	<b>17.9%</b>	
<b>GROUP TOTAL</b>	<b>211</b>	<b>79</b>	<b>290</b>		<b>200</b>	<b>66</b>	<b>266</b>	
Age <30 years	79	24	103	62.0%	85	25	110	66.3%
Age 30-50 years	114	48	162	16.5%	93	32	125	13.6%
Age > 50 years	18	7	25	4.0%	22	9	31	4.9%
<b>Employee new hires as % of total<sup>25</sup></b>	<b>17.2%</b>	<b>14.3%</b>	<b>16.3%</b>		<b>16.7%</b>	<b>12.5%</b>	<b>15.4%</b>	

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

25. 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 age<sup>26</sup>

	2019			Employee new hires as % of total	2020			Employee new hires as % of total
	Men	Women	Total		Men	Women	Total	
<b>ITALY</b>	<b>30</b>	<b>12</b>	<b>42</b>		<b>24</b>	<b>13</b>	<b>37</b>	
Age <30 years	2	1	3	8.1%	1	-	1	2.6%
Age 30-50 years	14	4	18	4.0%	8	2	10	2.4%
Age > 50 years	14	7	21	6.5%	15	11	26	7.8%
<b>Employee new hires as % of total</b>	<b>5.7%</b>	<b>4.4%</b>	<b>5.2%</b>		<b>4.7%</b>	<b>4.8%</b>	<b>4.7%</b>	
<b>PORTUGAL</b>	<b>22</b>	<b>6</b>	<b>28</b>		<b>14</b>	<b>5</b>	<b>19</b>	
Age <30 years	6	1	7	15.9%	3	1	4	9.8%
Age 30-50 years	11	4	15	6.0%	6	1	7	2.8%
Age > 50 years	5	1	6	4.0%	5	3	8	5.1%
<b>Employee new hires as % of total</b>	<b>6.9%</b>	<b>4.8%</b>	<b>6.3%</b>		<b>4.4%</b>	<b>4.0%</b>	<b>4.3%</b>	
<b>US</b>	<b>142</b>	<b>58</b>	<b>200</b>		<b>182</b>	<b>73</b>	<b>255</b>	
Age <30 years	39	17	56	70.0%	66	22	88	107.3%
Age 30-50 years	77	34	111	44.4%	88	33	121	52.8%
Age > 50 years	26	7	33	21.2%	28	18	46	31.5%
<b>Employee new hires as % of total</b>	<b>41.8%</b>	<b>39.7%</b>	<b>41.2%</b>		<b>56.0%</b>	<b>55.3%</b>	<b>55.8%</b>	
<b>INDIA</b>	<b>27</b>	<b>1</b>	<b>28</b>		<b>12</b>	<b>-</b>	<b>12</b>	
Age <30 years	1	1	2	40.0%	-	-	-	0.0%
Age 30-50 years	23	-	23	63.9%	11	-	11	35.5%
Age > 50 years	3	-	3	100.0%	1	-	1	33.3%
<b>Employee new hires as % of total</b>	<b>67.5%</b>	<b>25.0%</b>	<b>63.6%</b>		<b>34.3%</b>	<b>0.0%</b>	<b>30.8%</b>	
<b>GROUP TOTAL</b>	<b>221</b>	<b>77</b>	<b>298</b>		<b>232</b>	<b>91</b>	<b>323</b>	
Age <30 years	48	20	68	41.0%	70	23	93	56.0%
Age 30-50 years	125	42	167	17.0%	113	36	149	16.2%
Age > 50 years	48	15	63	10.0%	49	32	81	12.7%
<b>Employee new hires as % of total<sup>25</sup></b>	<b>18.0%</b>	<b>14.0%</b>	<b>16.7%</b>		<b>19.4%</b>	<b>17.2%</b>	<b>18.7%</b>	

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

27. Employee terminations is calculated as follows: number of outgoing employees during the year/total employees at the end of the year\*100.



# PARENTAL LEAVE

## Parental leave 2019

	Italy			Portugal			US			India		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Employees who took parental leave during 2019</b>	-	3	3	7	3	10	-	3	3	-	-	-
<b>of which status as at 31/12/2019</b>												
still on leave	-	-	-	3	2	5	-	-	-	-	-	-
returned and still employed	-	3	3	4	1	5	-	2	2	-	-	-
resigned	-	-	-	-	-	-	-	1	1	-	-	-
<b>Return to work rate as at 31/12/2019</b>	-	100%	100%	100%	100%	100%	-	67%	67%	-	-	-
<b>Employees who took parental leave during 2018</b>	-	6	6	5	2	7	-	3	3	-	-	-
<b>of which status as at 31/12/2018</b>												
still on leave	-	2	2	1	2	3	-	-	-	-	-	-
returned and still employed	-	4	4	4	-	4	-	3	3	-	-	-
resigned	-	-	-	-	-	-	-	-	-	-	-	-
<b>Return to work rate as at 31/12/2018</b>	-	100%	100%	100%	-	100%	-	100%	100%	-	-	-
<b>Employees who took parental leave during 2018</b>	-	6	6	5	2	7	-	3	3	-	-	-
<b>of which status as at 31/12/2019</b>												
still on leave	-	-	-	-	-	-	-	-	-	-	-	-
returned and still employed	-	6	6	5	2	7	-	1	1	-	-	-
resigned	-	-	-	-	-	-	-	2	2	-	-	-
<b>Retention rate as at 31/12/2019</b>	-	100%	100%	100%	100%	100%	-	33%	33%	-	-	-

## Parental leave 2020

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

## TRAINING

### Number of training hours by job category and gender

	2019						2020					
	MEN		WOMEN		TOTAL		MEN		WOMEN		TOTAL	
	Hours	Average	Hours	Average	Hours	Average	Hours	Average	Hours	Average	Hours	Average
<b>ITALIA</b>												
Senior managers	237	7	-	-	237	7	83	3	-	-	83	3
White-collar workers	626	4	435	4	1,061	4	-	-	-	-	-	-
Blue-collar workers	1,366	4	416	2	1,782	4	196	1	39	0.2	235	0.5
<b>Total</b>	<b>2,229</b>	<b>4</b>	<b>851</b>	<b>3</b>	<b>3,080</b>	<b>4</b>	<b>279</b>	<b>1</b>	<b>39</b>	<b>0.1</b>	<b>318</b>	<b>0.4</b>
<b>PORTUGAL</b>												
Senior managers	273	25	316	105	588	42	265	24	48	16	313	22
White-collar workers	710	16	3,339	59	4,049	40	687	16	1,249	21	1,936	19
Blue-collar workers	1,725	7	210	3	1,935	6	598	2	50	1	648	2
<b>Total</b>	<b>2,707</b>	<b>8</b>	<b>3,865</b>	<b>31</b>	<b>6,572</b>	<b>15</b>	<b>1,550</b>	<b>5</b>	<b>1,347</b>	<b>11</b>	<b>2,896</b>	<b>7</b>
<b>US</b>												
Senior managers	32	2	12	2	44	2	71	4	59	8	130	5
White-collar workers	534	5	494	5	1,028	5	241	3	167	2	408	2
Blue-collar workers	5,200	24	1,345	43	6,545	26	2,191	10	451	21	2,642	11
<b>Total</b>	<b>5,766</b>	<b>17</b>	<b>1,851</b>	<b>13</b>	<b>7,617</b>	<b>16</b>	<b>2,503</b>	<b>8</b>	<b>677</b>	<b>5</b>	<b>3,180</b>	<b>7</b>
<b>INDIA</b>												
Senior managers	-	-	-	-	-	-	10	5	-	-	10	5
White-collar workers	2	0.1	-	-	2	0.07	6	0.3	23	6	29	1
Blue-collar workers	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>0.05</b>	<b>16</b>	<b>0.5</b>	<b>23</b>	<b>6</b>	<b>39</b>	<b>1</b>
<b>GROUP</b>												
Senior managers	542	8	328	33	869	12	429	7	107	11	536	7
White-collar workers	1,872	5	4,283	16	6,155	10	933	3	1,439	5	2,372	4
Blue-collar workers	8,291	10	1,986	7	10,277	9	2,985	4	540	2	3,525	3
<b>Total</b>	<b>10,704</b>	<b>9</b>	<b>6,597</b>	<b>12</b>	<b>17,301</b>	<b>10</b>	<b>4,347</b>	<b>4</b>	<b>2,086</b>	<b>4</b>	<b>6,433</b>	<b>4</b>

## HEALTH AND SAFETY

### Workplace injuries and type - Employees

	2019					2020				
	IT	PT	US	IN	GROUP	IT	PT	US	IN	GROUP
Total number of deaths due to workplace injuries	-	-	-	-	-	-	-	-	-	-
Total number of serious workplace injuries <sup>28</sup> (excluding deaths)	-	1	-	-	1	-	-	-	-	-
Total number of recordable workplace injuries	36	25	28	-	89	30	22	18	-	70
Superficial injuries, open wounds and burns	13	9	10	-	32	4	7	11	-	22
Sprains, dislocations and fractures	23	15	18	-	56	26	15	7	-	48
Amputations	-	1	-	-	1	-	-	-	-	-
Hours worked	1,265,520	838,526	956,024	97,245	3,157,315	1,131,712	770,591	950,484	86,834	2,939,621
Death rate due to workplace injuries <sup>29</sup>	-	-	-	-	-	-	-	-	-	-
Serious workplace injury rate <sup>28</sup> (excluding deaths)	-	1.2	-	-	0.3	-	-	-	-	-
Recordable workplace injury rate <sup>30</sup>	28.4	29.8	29.3	-	28.2	26.5	28.5	18.9	-	23.8

### Workplace injuries and type - Contractors<sup>31</sup>

	2019					2020				
	IT	PT	US	IN	GROUP	IT	PT	US	IN	GROUP
Total number of deaths due to workplace injuries	-	-	-	-	-	-	-	-	-	-
Total number of serious workplace injuries <sup>28</sup> (excluding deaths)	-	-	-	-	-	-	-	-	-	-
Total number of recordable workplace injuries	2	19	-	-	21	3	20	1	-	24
Superficial injuries, open wounds and burns	1	11	-	-	12	-	13	-	-	13
Sprains, dislocations and fractures	1	8	-	-	9	3	7	1	-	11
Amputations	-	-	-	-	-	-	-	-	-	-
Hours worked	134,558	180,596	25,511	-	340,665	123,416	177,427	10,806	-	311,649
Death rate due to workplace injuries <sup>29</sup>	-	-	-	-	-	-	-	-	-	-
Serious workplace injury rate <sup>28</sup> (excluding deaths)	-	-	-	-	-	-	-	-	-	-
Recordable workplace injury rate <sup>30</sup>	14.9	105.2	-	-	61.6	24.3	107.1	92.54	-	77.0

28. A serious workplace injury refers to a workplace injury that leads to a death or injury from which the worker cannot recover, does not recover or from which it is unrealistic to expect them to fully recover and return to their state of health prior to the injury within 6 months.

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

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

31. 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 the Panariagroup does not exercise direct control.

## LOCALLY HIRED MANAGEMENT

### Locally hired management<sup>32</sup>

	2019			2020		
	Men	Women	Total	Men	Women	Total
<b>ITALY</b>						
Senior manager	34	-	<b>34</b>	32	-	<b>32</b>
of whom hired locally	34	-	<b>34</b>	32	-	<b>32</b>
% of locally hired management	100%	-	<b>100%</b>	100%	-	<b>100%</b>
<b>PORTUGAL</b>						
Senior manager	11	3	<b>14</b>	11	3	<b>14</b>
of whom hired locally	11	3	<b>14</b>	11	3	<b>14</b>
% of locally hired management	100%	100%	<b>100%</b>	100%	100%	<b>100%</b>
<b>US</b>						
Senior manager	17	7	<b>24</b>	17	7	<b>24</b>
of whom hired locally	13	6	<b>19</b>	13	6	<b>19</b>
% of locally hired management	76%	86%	<b>79%</b>	76%	86%	<b>79%</b>
<b>INDIA</b>						
Senior manager	3	-	<b>3</b>	2	-	<b>2</b>
of whom hired locally	3	-	<b>3</b>	2	-	<b>2</b>
% of locally hired management	100%	-	<b>100%</b>	100%	-	<b>100%</b>
<b>GROUP</b>						
Senior manager	65	10	<b>75</b>	62	10	<b>72</b>
of whom hired locally	61	9	<b>70</b>	58	9	<b>67</b>
% of locally hired management	94%	90%	<b>93%</b>	94%	90%	<b>93%</b>

## COLLECTIVE BARGAINING AGREEMENTS

### Employees covered by collective bargaining agreements as at 31 December<sup>33</sup>

	2019					2020				
	IT	PT	US	IN	GROUP	IT	PT	US	IN	GROUP
Employees covered by collective bargaining agreements	804	447	-	-	<b>1,251</b>	783	445	-	-	<b>1,228</b>
%	<b>100%</b>	<b>99%</b>	<b>0%</b>	<b>0%</b>	<b>70%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>71%</b>

## STANDARD SALARY FOR NEW HIRES

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

	2019								2020							
	IT		PT		US		IN		IT		PT		US		IN	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Donne
Ratio between the standard new hire level and the local minimum salary, by gender	1.0	1.0	1.0	1.0	1.8	1.8	1.2	1.2	1.0	1.0	1.0	1.0	1.9	1.9	1.2	1.2

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



## data on the supply chain

For 2020, the scope of the supply chain data refers to the Group companies that operate production sites and, from 2020 and limited to information regarding spending on local suppliers, Panariagroup India Industrie Ceramiche Pvt Ltd. Companies with only commercial offices and Montanari Ceramiche S.r.l., a retail outlet for ceramic material, are excluded, since they are not considered relevant to an understanding of the Group's business activities and the impact of its products. It should be noted that the company Gres Panaria Central Europe GmbH, established in 2020, will start to actively operate during 2021 and has therefore not been included in the information on expenditure on local providers.

## LOCAL SUPPLIERS

### Expenditure on local suppliers (million euros)

	2019				2020				
	IT	PT	US	GROUP	IT	PT	US	IN	GROUP
Proportion of expenditure on local suppliers <sup>34</sup>	131	51	63	<b>245</b>	104	40	52	1	<b>197</b>
All suppliers	143	57	70	<b>270</b>	113	45	65	1	<b>224</b>
% of expenditure on local suppliers out of total purchases	<b>91%</b>	<b>91%</b>	<b>90%</b>	<b>91%</b>	<b>92%</b>	<b>88%</b>	<b>81%</b>	<b>100%</b>	<b>88%</b>

## MATERIALS USED

### Materials used by weight (t)

	2019				2020			
	IT	PT	US	GROUP	IT	PT	US	GROUP
Clay	131,441	99,515	39,780	<b>270,736</b>	107,874	80,368	45,519	<b>233,761</b>
Feldspar	124,351	72,120	46,487	<b>242,958</b>	100,025	66,430	41,293	<b>207,748</b>
Sand	58,579	10,990	9,321	<b>78,891</b>	45,718	7,500	11,045	<b>64,263</b>
Glazes and colouring agents	10,105	5,584	1,654	<b>17,342</b>	6,920	4,540	1,733	<b>13,193</b>
Atomized	-	-	-	-	1,755	-	-	<b>1,755</b>
Zirconium/whitening agents	1,422	452	175	<b>2,048</b>	1,411	610	157	<b>2,178</b>
Additives	2,465	1,124	624	<b>4,213</b>	2,030	1,065	624	<b>3,719</b>
Ground fired material	18,447	2,596	-	<b>21,043</b>	16,236	2,000	-	<b>18,236</b>
Packaging	12,727	1,186	3,718	<b>17,631</b>	10,032	987	3,866	<b>14,884</b>
Other	3,784	9,462	1,562	<b>14,808</b>	3,554	7,455	1,182	<b>12,191</b>
<b>Total</b>	<b>363,321</b>	<b>203,028</b>	<b>103,321</b>	<b>669,670</b>	<b>295,555</b>	<b>170,955</b>	<b>105,419</b>	<b>571,929</b>

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

8 / GRI  
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403-1	Occupational health and safety management system	160-163	
403-2	Hazard identification, risk assessment, and incident investigation	160-163	
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403-4	Worker participation, consultation, and communication on occupational health and safety	160-162	
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<b>GRI 103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	31-33	
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<b>GRI 404: Training and education (2016)</b>			
404-1	Average hours of training per year per employee	156; 192	
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<b>GRI 103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	31-33	
103-2	The management approach and its components	36; 100-102; 113	
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<b>GRI 416: Consumer health and safety (2016)</b>			
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417-2	Incidents of non-compliance concerning product and service information and labelling	67	
<b>MATERIAL TOPIC: PROTECTION OF BRANDS AND REPUTATION</b>			
<b>GRI 103: Management approach (2016)</b>			
103-1	Explanation of the material topic and its boundary	31-33	
103-2	The management approach and its components	54-55; 66-67; 101	
103-3	Evaluation of the management approach	30; 54-55; 66-67; 101	
<b>MATERIAL TOPIC: CUSTOMER SATISFACTION</b>			
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103-1	Explanation of the material topic and its boundary	31-33	
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<b>MATERIAL TOPIC: SUSTAINABLE INNOVATION</b>			
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103-3	Evaluation of the management approach	30; 70-71; 88-91; 106-112	



# independent auditor's report



Deloitte & Touche S.p.A.  
Via Tortona 25,  
20144 Milano  
Italia  
Tel: +39 02 83322111  
Fax: +39 02 83322112  
www.deloitte.it

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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Panariagroup Industrie Ceramiche S.p.A. and its subsidiaries (hereinafter "Panariagroup Group" or "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 12, 2021 (hereinafter "NFS").

### Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

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

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

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

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona  
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.  
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166  
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### 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.

### Auditor's responsibility

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

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

Specifically we carried out the following procedures:

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



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

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

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

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

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

#### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Panariagroup Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Franco Amelio**  
Partner

Milan, Italy  
March 30, 2021

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

# PANARIAgroup®

## Panariagroup Industrie Ceramiche S.p.A.

Via Panaria Bassa, 22/A  
41034 Finale Emilia (MO) - Italia  
Tel.: +39 0535 95111 - info@panariagroup.it  
www.panariagroup.it

## Panaria Ceramica

Via Panaria Bassa, 22/A  
41034 Finale Emilia (MO) - Italia  
Tel.: +39 0535 95111 - email: info@panaria.it  
www.panaria.it

## Lea Ceramiche

Via Cameazzo, 21  
41042 Fiorano Modenese (MO) - Italia  
Tel.: +39 0536 837 811 - email: info@leaceramiche.it  
www.leaceramiche.it

## Cotto d'Este Nuove Superfici

Via Emilia Romagna, 31  
41049 Sassuolo (MO) - Italia  
Tel.: +39 0536 814 911 - email: info@cottodeste.it  
www.cottodeste.it

## Blustyle

Via Emilia Romagna, 31  
41049 Sassuolo (MO) - Italia  
Tel.: +39 0536 814 911 - email: info@blustyle.it  
www.blustyle.it

## Maxa Ceramic Slabs

Via Cameazzo, 21  
41042 Fiorano Modenese (MO) - Italia  
Tel.: +39 0536 915211 - email: info@maxaslabs.it  
www.maxaslabs.com

## Florida Tile Inc.

998 Governors Lane  
Suite 300, Lexington, KY 40513 - U.S.A.  
Tel.: 001 - 859 219 5200 - email: marketing@floridatile.com  
www.floridatile.com

## Margres

Chousa Nova,  
3830-133 Ílhavo - Portugal  
Tel.: +351 234 329 700 - email: margres@margres.com  
www.margres.com

## Love Tiles

Zona industrial de Aveiro, Apartado 3002  
3801-101 Aveiro - Portugal  
Tel.: +351 234 303 030 - email: lovetiles@lovetiles.com  
www.lovetiles.com

## Bellissimo

Panariagroup India Industrie Ceramiche Pvt Ltd.  
B-702, Shapath - IV, Opp. Karnavati Club,  
S.G. Highway, Ahmedabad (Gujarat), 380015 - India  
Tel.: +91 79 6191 6501 - email: info@bellissimo.asia  
www.bellissimo.asia

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Industree Communication Hub

PHOTOS: CREDITS:  
Lorenzo Franzi, Luigi Ottani

BUILDINGS CREDITS:  
Foto: Autori Associati di Lorenzi Paolo



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