



We shape
the future

PANARIAgroup®



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Change is the process
by which the **future** invades our lives.

Alvin Toffler

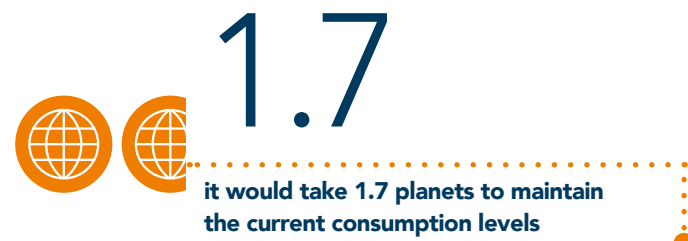
Sustainability is a living,
changing principle and
the actions that it inspires change
with it, turning our company
into a better company.

We shape our buildings;
thereafter they shape us.

Winston Churchill

WE LIVE IN A RAPIDLY CHANGING WORLD

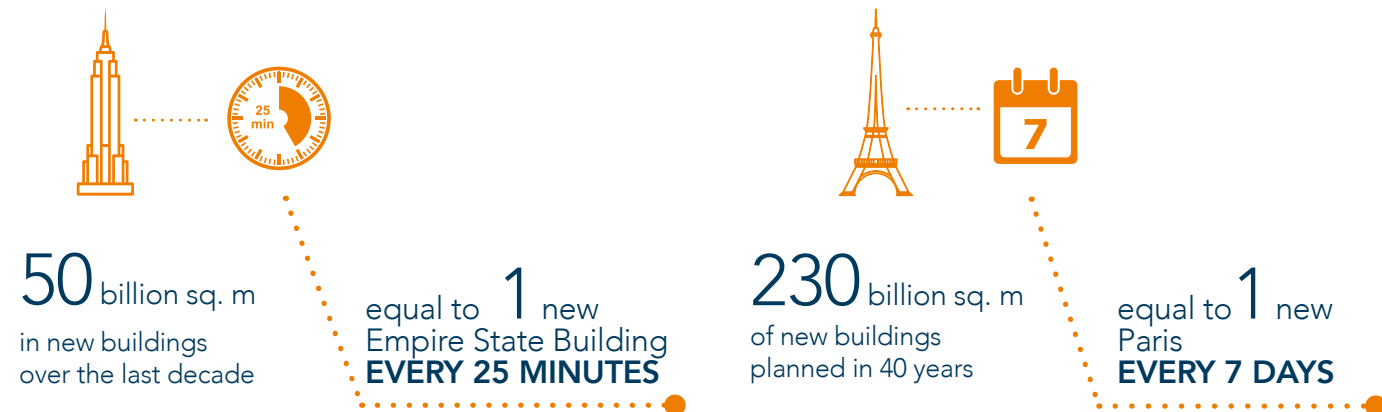
WE LIVE ON **A PLANET**
THAT MUST BE PROTECTED
AND TREATED WITH CARE



source: Global footprint network (Gfn) 2019

WE NEED A **PARADIGM** SHIFT

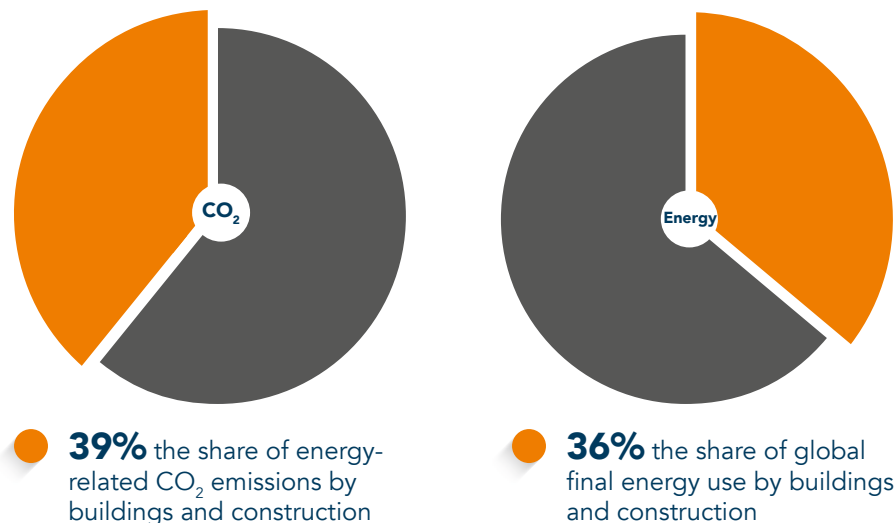
From 2030 designers will be more and more demanding with regards to materials and construction techniques based on their environmental impact. To **build sustainable buildings, the search for innovative materials** is fundamental.



Following the goals set in 2030 Commitment promoted by AIA (American Institute of Architects)
source: Global Alliance for Buildings & Construction 2018

WE NEED **INNOVATIVE MATERIALS** AND NEW **TECHNIQUES**

The pace of global growth requires
to **cut greenhouse gas emissions**
and **consume less resources**.



WE NEED AWARENESS TO DEVELOP **NEW WAYS OF BUILDING**

ARCHITECTS AND DEVELOPERS

will need to know

- chemical composition
- production cycle specifications
- performance
- life cycle

PRODUCTS AND MATERIALS

COMPANIES

will need to provide

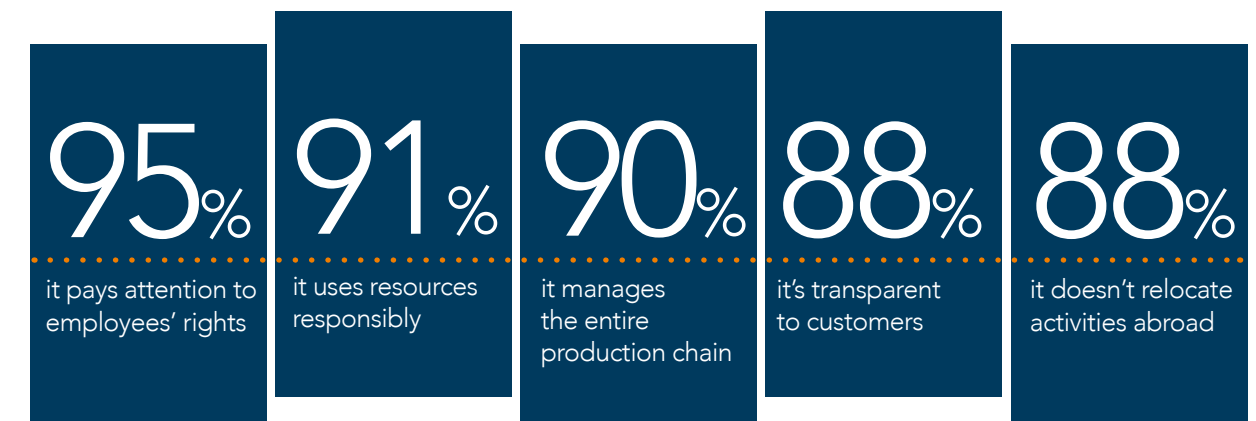
- detailed information
- environmental certifications
- products with known chemical composition
- products without harmful substances to human health

Consumers are looking for a **new, sustainable way of living** that respects quality of life and the environment.

WE NEED **NEW WAYS** **OF PRODUCING**

Consumers are looking for companies that are not only **excellent**, but **careful** and **responsible**.

A COMPANY IS CONSIDERED **SUSTAINABLE** IF...



source: 5° Osservatorio sullo stile di vita sostenibile LifeGate 2019 based on the Italian market – sample: 800; universe: population of 50,6 mln, Italians.

SUPPORT FOR INNOVATION

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



REDUCTION OF RAW MATERIAL CONSUMPTION

We **recover 100%** of our production waste internally.



WASTE MANAGEMENT

94.5% of waste is destined for recovery.



CLOSE RELATIONSHIP WITH THE LOCAL AREA

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



ENERGY SAVING

Our **energy consumption index** is **0.139 GJ per m2** of tiles, using increasingly more renewable energy.



ECO-FRIENDLY PACKAGING

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



LOW WATER IMPACT

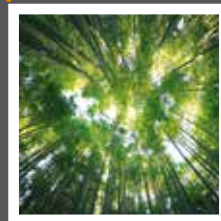
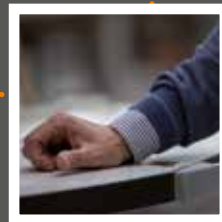
Water consumption intensity **0.018 m³ per m²** of tiles produced with 399,406 m³ of recycled and reused water.



PANARIAGROUP WANTS TO TAKE ON ALL OF THESE **CHALLENGES** AND IT DEMONSTRATES THIS WITH ITS **CONSTANT COMMITMENT**

HUMAN RESOURCES

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



EMISSION REDUCTION

9 tCO₂eq per 1000 m2 of tiles, **192 tCO₂eq avoided** over the course of the year.



PRODUCTS FOR QUALITY OF LIFE

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



Investing
in quality
of life

Our ceramic excellence combines **beauty, quality** and **sustainability**. That's why we have always invested in product innovation to **improve the quality of life**.



CONTINUOUS INVESTMENTS IN INNOVATION

143.8_{mln euro}

invested from 2014 to 2018

19.2_{mln euro}

invested in 2018 to maintain the positioning
in the small group of top-tier companies






Nurturing
environmental
responsibility

Our daily commitment to **reducing our environmental impact** is **critical to our success**. We aim to live in harmony with the environment. The material and energy that we require return to the environment in the form of respect.




**LOWER EMISSIONS,
MORE ENERGY SAVING**




The Group's strongly focuses on **monitoring** and minimising environmental impact, particularly in relation to **energy consumption** and **emissions**.

only **9** tCO₂
were emitted per 1,000 m² of tiles






thanks to the
photovoltaic systems



in 2018
192 tCO₂
were avoided



3,840,000

equal to the environmental
impact of
a **diesel car travelling**
3,840,000 km





TOTAL RECOVERY OF PRODUCTION WASTE AND LOWER CONSUMPTION OF RAW MATERIALS

Attention to environmental performance concerns all phases of the production cycle, including waste management.

100% RECOVERED WASTE



CAREFUL WASTE MANAGEMENT



94.5%

of waste is recovered
(not sent for disposal)



ENVIRONMENTALLY FRIENDLY PACKAGING

We pay great attention to the **reduction of environmental impacts** of our packagings, investing in **efficiency** and use of **recycled material**.

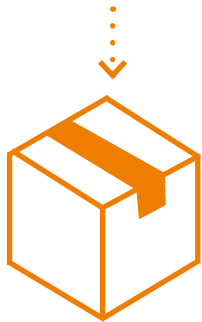


over **70%**

of recycled plastic for industrial use and recycled paper and cardboard purchased in 2018

In 2018 we introduced new automatic boxing machines to halve cardboard use.

TRADITIONAL MACHINES



NEW MACHINES



up to -50% of
cardboard used



NO WATER WASTAGE

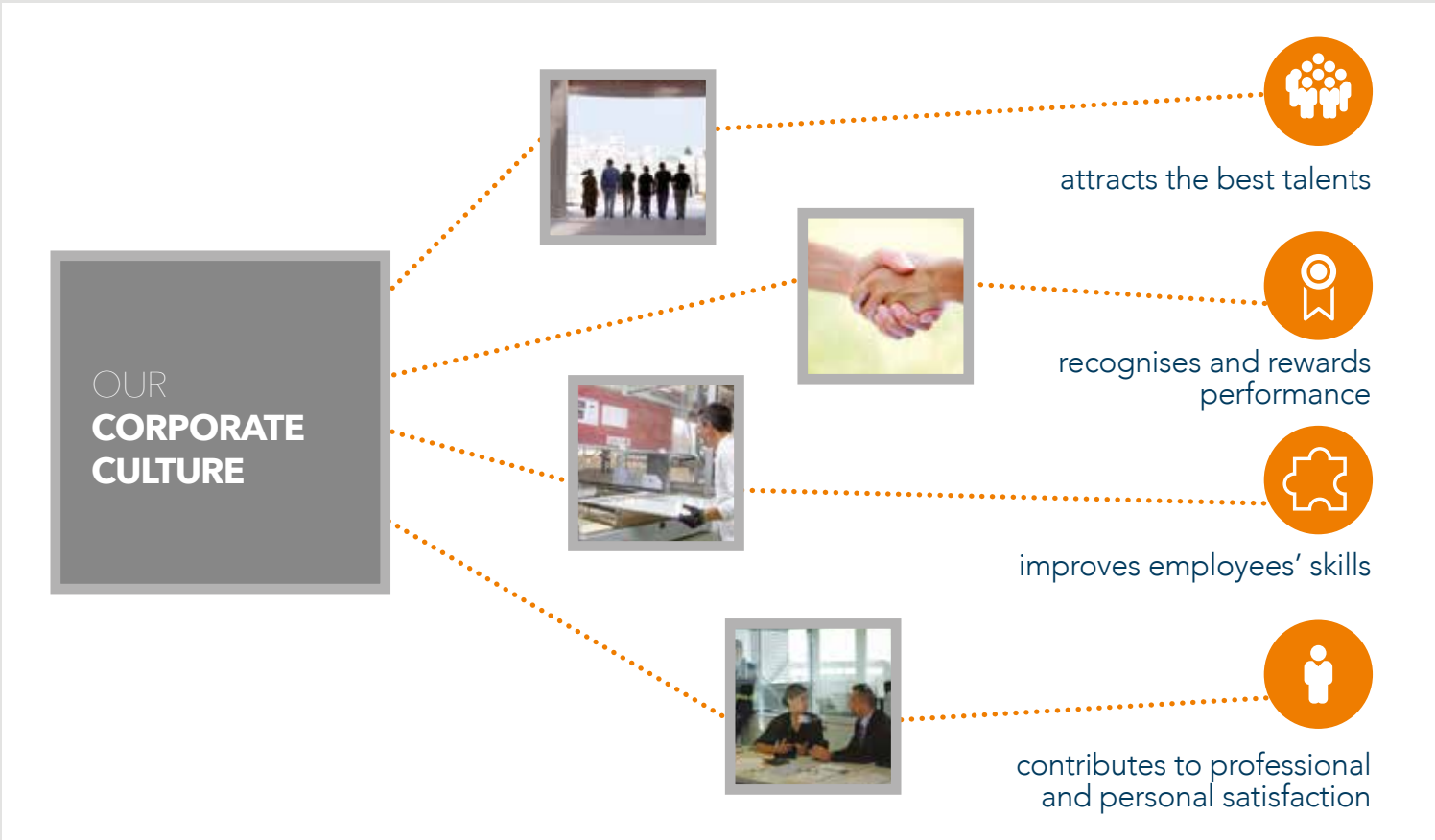
100% of process water is reused, with consequent **very limited intensity on material production**.



399,406 m³
of water reused

almost
160
OLYMPIC SWIMMING POOLS



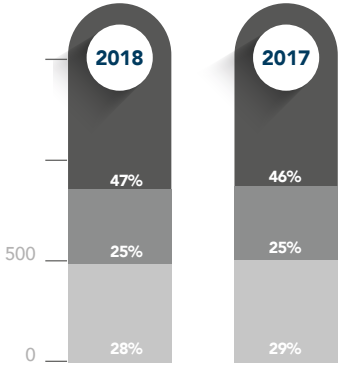


People, their well-being, their growth and their professional development are **key to** Panariagroup's **success**.



GROUP'S
EMPLOYEES

- Italy
- Portugal
- USA



Updated: 31.12.2018

1,741

employees



We believe in collective bargaining as a means of building strong and **long lasting relationship** with our employees.



72%

employees covered by collective bargaining agreements

INVESTING
ON **TRAINING**

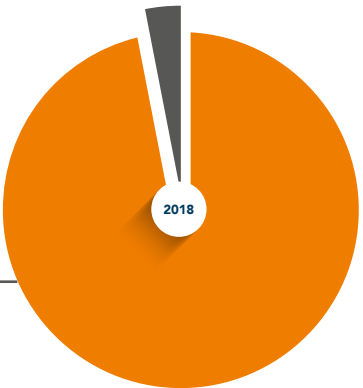
Every year, the Group's companies analyse **training needs** and provide activities on health and safety issues, in addition to those necessary for employees' specific needs.

STAFF BY TYPE
OF **CONTRACT**

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

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

Updated: 31.12.2018



RELATIONS WITH
LOCAL **COMMUNITIES**

For Panariagroup, sustainability also encompasses relations with local communities. The Group also actively contributes to the growth of local communities through the **selection of local suppliers** as well as participation, donations and sponsorships relating to the development and **improvement of local conditions**.





We've always made ceramic: a totally recyclable and durable product that comes from **natural raw materials** and respects the environment thanks to the reduced impact of the production cycles.



CERAMICS IDENTIKIT

COMPOSITION

a mix of natural raw materials.

FEATURES

non-deformable, frost resistant and chemical agents resistant, hypoallergenic and odourless, totally recyclable.

DISTINGUISHING MARKS

it respects the environment starting with the raw materials and low impact production cycles.

LIFE CYCLE

life cycle is estimated to last longer 50 years.

Architects and designers are looking for **the best solutions with strict environmental standards**. Panariagroup answers to **new market requests** with excellent products, protagonists of projects all around the world.



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

LEADER IN LAMINATED PORCELAIN STONEWARE

The Group is leader in the production of **laminated porcelain stoneware**, a revolutionary product that we have 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.

SUPERIOR QUALITY THIN CERAMIC SLABS



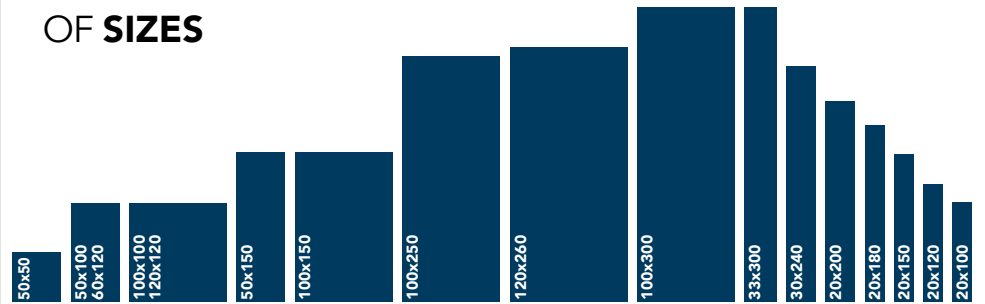
ULTRA-THIN AND ULTRA-RESISTANT WITH FIBREGLASS MESH REINFORCEMENT



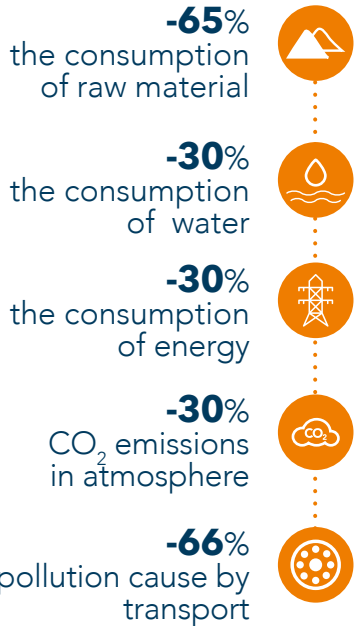
THIN AND RESISTANT



A WIDE RANGE OF SIZES



LAMINATED PORCELAIN STONEWARE



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

P R () T E C T

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

Being able to offer very high-quality antibacterial materials is crucial for responding to **ever more selective specifications** and for meeting end consumers' growing demand for **health-oriented products**. Our leading antibacterial technology guarantees a constant and unalterable protection that improves people's lifestyles..

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**

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

- tiles are more hygienic and easier to clean;
- the technology also eliminates what you cannot see;
- less bacteria, less odours.

A CERTIFIED QUALITY

Panariagroup's production processes and products have obtained **the most important international certifications**, including the most advanced certifications for sustainable architecture.

In 2018 we obtained the **EPD declaration** (Environmental Product Declaration) for all the Group's production plants in Italy. The EPD is an **independently certified and verified document** that transparently and objectively communicates information about the life-cycle environmental impact of products, in accordance with the ISO 14025 international standard. The EPD is amongst the **European methodologies** to evaluate the life cycle of buildings.



We continuously reaffirm
our clear and strong commitment
over the years
with new and ambitious goals.

We aim to create
aesthetically superior
and highly sustainable products:
products designed to improve
the quality of life.

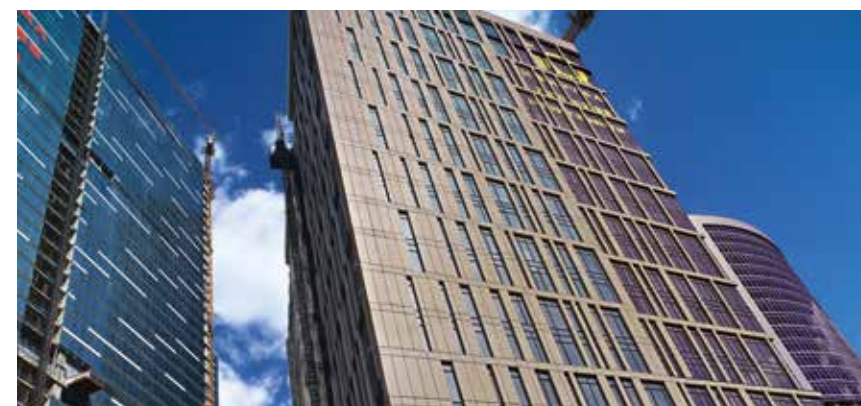
Emilio Mussini
President of Panariagroup



A commitment that we certify and formalise every year
in our Sustainability Report in which we illustrate
our strategy and our decisions

To read our complete Sustainability Report

panariagroup.it





Results
and targets

COMPANY PROFILE

Panariagroup is one of the leading producers of ceramic tiles for floor and wall coverings.



HIGHLIGHTS 2018



MILLIONS OF EUROS
EBITDA¹

42.0 2017
19.3 2018

MILLIONS OF EUROS
NET PROFIT

11.4
(4.1)

MILLIONS OF EUROS
NET FINANCIAL POSITION

99.4
98.5

MILLIONS OF EUROS
NET WORKING CAPITAL

130.5
122.2

ECONOMIC

MILLIONS OF EUROS
INVESTMENTS

34.4
19.2

ENVIRONMENTAL

ENERGY
INTENSITY²

GJ/m²

0.142 2017
0.139 2018

EMISSIONS INTENSITY²
LOCATION BASED

tCO₂ eq/m²

0.010
0.009

EMISSIONS INTENSITY²
MARKET BASED

tCO₂ eq/m²

0.010
0.010

WATER
INTENSITY²

m³/m²

0.017
0.018

WASTE SENT FOR
RECYCLING

%

93.2
94.5

RAW WASTE RECYCLED IN THE
PRODUCTION PROCESS

%

100
100



PERMANENT
EMPLOYEES

%

95.1 2017
95.1 2018

EMPLOYEES COVERED BY
COLLECTIVE AGREEMENTS

%

70
72

INJURY
RATE

no./hours worked * 100,000

3.0
3.7

SEVERITY
RATE

no. lost days/possible working hours * 100,000

51.1
79.8

SOCIAL

COMMUNITY SUPPORT
IN EUROS

225,000
263,000

1. As a result of the process of adjustment to the new accounting standards (IFRS 15), the 2017 EBITDA figure has been restated with respect to the data published in the previous DNF, in line with the new standards. For the restated data, please refer to the table. For the previously published data, see the 2017 Sustainability Report, published in the Sustainability section on www.panariagroup.it.
2. The intensity values are calculated based on the m² of tiles produced during the year, which amounted to 22,486,526 m² in 2018 and 22,690,716 m² in 2017. As per 2018 Sustainability Report, Panariagroup.

SUSTAINABILITY
GOALS

Panariagroup aims to improve its impact on society in economic, social and environmental terms; for this reason, specific sustainability objectives that will be implemented are announced every year. These objectives represent **a commitment that the Group makes towards its stakeholders.**



BUSINESS ISSUES

TARGET 2018

OBJECTIVES DECLARED
IN NFS17

PROGRESS

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

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



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

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



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

The objective has been achieved.



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

The objective has been achieved.



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

The objective has been achieved.



TARGET 2019

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

Objective confirmed for 2019.



QUALITY AND ENVIRONMENT

TARGET 2018

OBJECTIVES DECLARED
IN NFS17

PROGRESS

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

The objective has been achieved.



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

The objective has been achieved.



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

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



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

Objective will be completed in 2019.



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

The objective has been achieved.



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

The objective has been achieved.



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

The objective has been achieved.





SUPPLY CHAIN

TARGET 2019

OBJECTIVES DECLARED IN NFS17

PROGRESS

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

Objective confirmed for 2019.



TARGET 2020

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

Objective confirmed for 2020.



GOVERNANCE

TARGET 2018

OBJECTIVES DECLARED IN NFS17

PROGRESS

Commitment to the principles of the UN Global Compact.

The objective has been achieved.



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

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



Formalisation of a Code of Ethics for the Group.

The objective has been achieved.



Adaptation to the new European privacy regulations.

The objective has been achieved.



TARGET 2019

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

Objective confirmed for 2019.



HUMAN RESOURCES

TARGET 2018

OBJECTIVES DECLARED IN NFS17

PROGRESS

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

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



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

The objective has been achieved.



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

Objective suspended in favour of other initiatives developed in 2018.



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

The objective has been achieved.



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

The objective has been achieved.



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

Objective suspended in favour of other initiatives developed in 2018.



TARGET 2019

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

Objective confirmed for 2019.



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

Objective confirmed for 2019.





NEW OBJECTIVES

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

TARGET 2019

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

TARGET 2019

- Adaptation to the Italian legislation introducing obligatory "electronic invoicing".
- First-time adoption of the IFRS 16 Accounting Standard in relation to lease and rental contracts.



TARGET 2019

- Partial replacement of fluorescent neon lights and installation of LED and magnetic induction lighting systems in the Ilhavo and Aveiro (Portugal) plants to obtain significant electricity reductions.
- Complete removal of asbestos roofing at the Fiorano Modenese (Italy) site and replacement with eco-friendly materials.
- Introduction of automatic washing systems for the glaze application machines to reduce water consumption at all the Italian plants.
- Installation of soundproofing systems in the grinding department at the production sites in Portugal and the USA.
- Work on dust extraction systems to reduce airborne silica in the Lawrenceburg (USA) plant.
- Partial renovation of roofing in all of the Group's plants, using eco-friendly materials.
- Campaign to replace lead-acid batteries with lithium batteries, which have a longer life and are less polluting, for automatic vehicles for handling finished products.
- Progressive elimination of lamination from communication tools.

TARGET 2019

- Modification and extension of the drinking water distribution service for employees in the Italian Business Unit.
- Structured training plan for the sales force in the Italian Business Unit.
- Improvement of communication channel with employees, through a dedicated software in the Italian Business Unit.



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