



FORIM
DESIGN IS OUR PASSION

2019 SUSTAINABILITY REPORT

ABRIDGED VERSION

12th
EDITION







LETTER TO STAKEHOLDERS



I would like to extend to you all my usual welcome to the Florim Sustainability Report, expanded this year to include new information in compliance with the GRI Standard guidelines, and make our business even more transparent.

As I write these words, the signs of the emergency we have had to face, the dramatic effects of which, in health, social and economic terms, are going to have worldwide repercussions, are still clear for all to see.

We have had to change our patterns of life and many of us are experiencing a new feeling of fear and unease. Our company has striven to mitigate its consequences, first and foremost by adopting the appropriate measures to safeguard the health of its employees, and at the same time launching major initiatives to support the community.

Along these lines, I must inform you that Florim has been transformed into a Benefit Corporation, to render its social and community commitment even more incisive now and in the future; the meaning of this important change is discussed in the Report.

Although aware of the gravity of the impacts the current situation will have on the economy and the ceramics industry, I am confident that the Florim Group is, and will be, capable of responding to the present and future with serenity and intelligence, continuing to play a leading role thanks to the professionalism and commitment of its staff, to whom I extend my sincere and heartfelt thanks.

Bearing these special circumstances in mind, I now invite you to read the contents of this document, in which I hope you will be impressed by the many excellent initiatives the Florim Group has undertaken during 2019, alongside its core business of the manufacture of ceramic materials of the highest quality.

Thank you for your attention; I hope you will enjoy reading the report.

Claudio Lucchese

FLORIM



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LEARN MORE

florim.com/en/company/

The full version of the 2019 Sustainability Report can be downloaded from the download area of the florim.com website.

MADE IN FLORIM



CEDIT – Ceramiche d'Italia | Chimera Collection by Elena Salmistraro

Passion, innovation and sustainability are the guidelines integral to our way of doing business: the **MADE IN FLORIM** way.

ALMOST
60
YEARS
OF HISTORY

OVER **1,400** EMPLOYEES

+400 MILLION EURO
OF TURNOVER

1,879 TONS OF CO₂ NOT
EMITTED IN 2019
THANKS TO THE
PHOTOVOLTAIC
SYSTEMS

OUR HISTORY

	1962	Giovanni Lucchese pioneers the production of extruded clinker tiles and Floor Gres is founded in the heart of the Sassuolo production district
Floor Gres is the first Italian manufacturer to produce single-fired white body tiles	1967	
Floor Gres is one of the first companies in the world to start the manufacture of porcelain stoneware tiles	1981	The Swimming Pool Division is established within Floor Gres
	1984	Claudio Lucchese , son of the founder, takes over the reins at Floor Gres after his father's untimely death
Floor Gres acquires Cerim Ceramiche	1990	
Florim acquires Rex Ceramiche Artistiche	1994	Floor Gres and Cerim merge to create Florim
Incorporation of Florim USA , a production and distribution company destined to become a leader on the North American market	1995	The Project Division , known today as Florim Solutions , is created
	2000	
The first Florim Flagship store opens in the Brera district, in the heart of Milan	2005	Florim acquires Casa dolce casa and Casamood
A Flagship Store opens in Moscow and the Health&Training Center is inaugurated in Fiorano.	2009	The Florim Gallery multi-functional center and Florim Logistics are created in Fiorano. The Fondazione Ing. Giovanni Lucchese foundation is established
The production of large slabs (up to 320x160 cm) begins	2013	
	2014	
Florim relaunches CEDIT – Ceramiche d'Italia and FLORIM stone is born	2015	A Flagship Store opens in the center of New York
	2016	
	2017	The new Industry 4.0 factory at Mordano goes into operation
The new Industry 4.0 factory at Fiorano goes into operation	2018	
	2019	A Flagship Store opens in Singapore

OUR LOCATIONS

The map shows the headquarters, showrooms, production plants and logistic hubs. Florim Group products are sold in Italy (20%) and abroad (80%) by top retailers and international importers.



OUR BRANDS

Inspired by an innate passion for beauty and design, Florim produces **ceramic surfaces** to meet all the needs of the construction, architecture and interior design sectors. It offers them to the market through its 7 commercial brands, all sharing the corporate slogan: “**Design is our passion**”.

Florim guarantees technical quality, attention to detail, innovation and environment-friendliness for all its products. Each brand interprets materials with a specific philosophy, expressed in every new collection launched.



The brand which serves **architectural projects** with materials that combine outstanding performances and aesthetic appeal



Its mission is luxury, with surfaces inspired by the most exquisite natural materials with **strong decorative content**



Through genuine designer slabs, this brand renews the idea of architectural space to express the style and **art of Italian interior design**



It is the brand for interior designers constantly seeking **refined elegance and creative harmony**



It presents a **range with a contemporary look** to suit the tastes of a wide market band



The brand that brings together **technical performances, convenience and good looks** for the perfect customized **worktops**



The **Made in USA** brand that aims to satisfy the taste of the North American market with a typically Italian style

OUR DESIGN SERVICE



As well as the product itself, Florim offers technical support throughout the various design phases. From the feasibility study to the final installation, **Florim Solutions** works side by side with the architect, providing expertise and experience when the style and performance of porcelain tiles become fundamental to the project.

GOVERNANCE

CODE OF ETHICS

The Group's **governance** plays a central role in the responsible development of its business, ensuring ethical, transparent management of its operations with its stakeholders' interests always in mind.

After approving the Governance Model which is compliant with the provisions of Italian Legislative Decree 231/2001, the Florim Board of Directors signed and promoted the **corporate Code of Ethics** (introduced in 2011), which has become an integral part of Florim's operations and is accepted by every new employee, supplier and business partner.

To guarantee the application of and compliance with its contents, a **Supervisory Board** is in operation to detect any breaches of its provisions. All stakeholders can also contact this body (organismodivigilanza@florim.com) for further explanations regarding the interpretation and application of the corporate Code of Ethics, as described on the corporate website.

MANAGEMENT SYSTEM POLICY

To achieve greater and greater transparency in its reporting, the company has drawn up guidelines for its quality, environment, safety and energy management system. More information is available on the website.



LEARN MORE
florim.com/en/company/

KEYWORDS

There are three keywords in which we believe deeply, and which are so central to our identity that we define them as **internal rules of conduct**: beauty, simplicity and humility.

BEAUTY

For companies like ours, beauty is more than a necessity. It is a constant benchmark, a moral commitment to people. Employees are in the front line in expressing this ethical imperative, and convey it through their work, from the product's creation to the way it is offered.

SIMPLICITY

By this we mean clarity in communication between us and the outside world. Being clear and comprehensible is an aim for every employee, who must strive to reduce complexities in every activity and relationship.

HUMILITY

This is an essential characteristic within our organization. It conveys a sense of collaboration and the ability to listen and to constantly put the team first, setting aside any wish to stand out or appear superior.

FLORIM BECOMES A BENEFIT CORPORATION

An extraordinary general meeting was held on 19 March 2020 to amend the by-laws and enable Florim to become a Benefit Corporation, changing its name to **FLORIM CERAMICHE - SOCIETÀ PER AZIONI SOCIETÀ BENEFIT** (which can be abbreviated to FLORIM S.P.A. SB).

Florim thus formally stated its commitment to operating not just for profit but also for the good of the planet and the community, by adding to its corporate purpose the goal of acting:

- | with a constant commitment to continuous innovation as regards the sustainability of the company's processes and all its practices;
- | according to criteria designed to prevent pollution and reduce environmental impacts and risks, through recovery activities rather than disposal, and the implementation of energy efficiency and saving measures;
- | promoting an informed and sustainable business approach, through collaborative dialog with stakeholders, and the organization of training and cultural events, also in association with third parties, to integrate and spread correct and sustainable lifestyles, for the environment and for health;
- | promoting a positive and inclusive workplace for its employees, safeguarding their rights and duties, safety, training, growth and the development of their potential, including the adoption of concrete company welfare measures.

Benefit Corporations (in Italy Società Benefit - SB) – introduced into Italy by law no. 208 of 28/12/2015 - revolutionize the very concept of what a corporation stands for, because their business model includes not only profit objectives but also a specific commitment to responsible operation.

Aware of how business methods will have to change very quickly, today our company is happy and proud to make its contribution to creating a sustainable future for us and the future generations.

Florim is the first, and currently the only, ceramics corporation in the world to become a Benefit Corporation.

CORPORATE BODIES

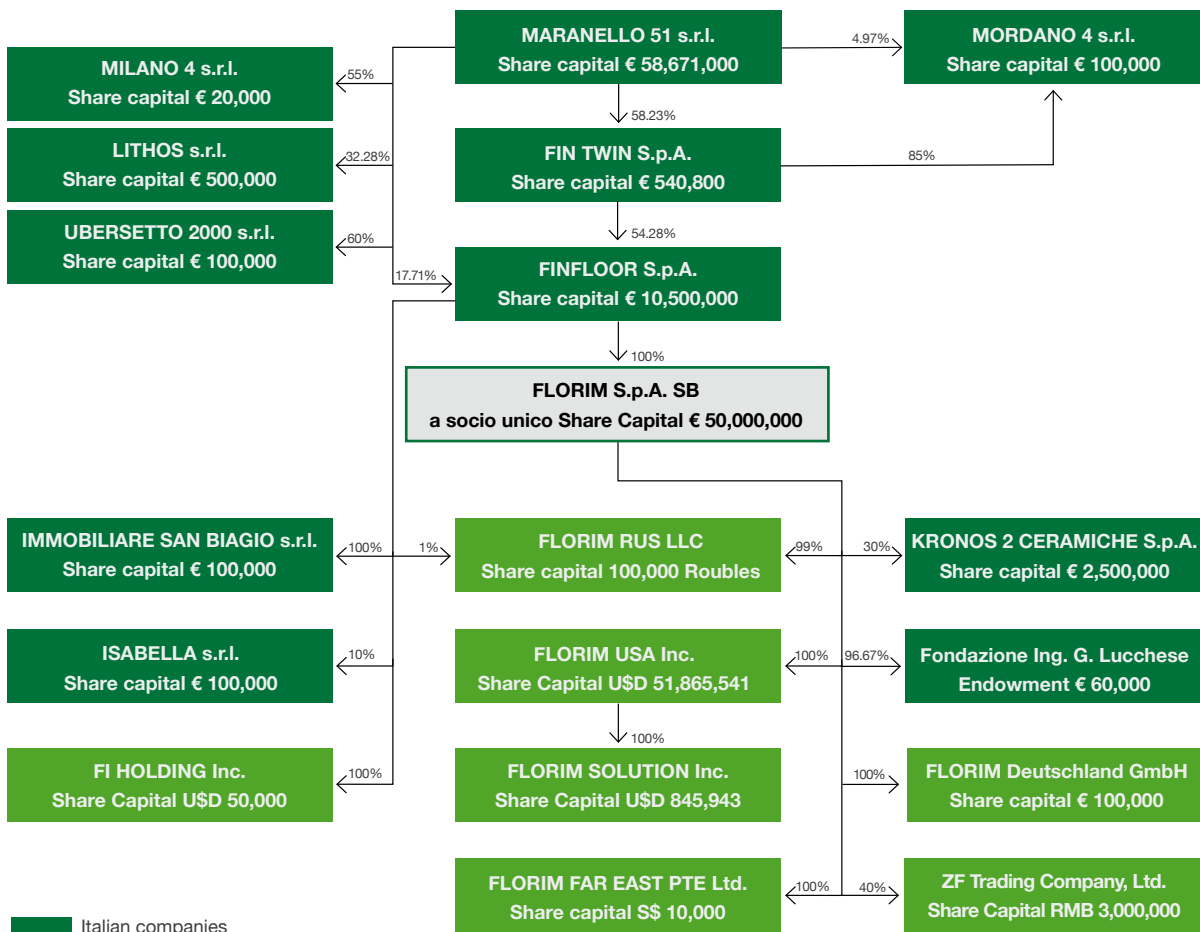
Florim S.p.A. SB has fully subscribed, paid-up share capital consisting of 50,000,000 ordinary shares with a face value of 1 euro each. **The capital is 100% owned by the holding company FinFloor S.p.A.**, with registered office in Fiorano Modenese, which is in turn **indirectly owned by the Lucchese family** through FinTwin S.p.A. and Maranello 51 s.r.l.

BOARD MEMBERS

- | | |
|--|--|
| <ul style="list-style-type: none"> ■ CLAUDIO LUCCHESI President ■ DONATO BRUNI Vice President ■ MARIADELE LUCCHESI Director ■ ANNA LUCCHESI Director ■ FRANCESCA LUCCHESI Director | <ul style="list-style-type: none"> ■ BEATRICE LUCCHESI Director ■ GIOVANNI LUCCHESI Director ■ GIOVANNI GROSSI Managing Director ■ OSCAR ISEPPI Managing Director ■ DORVAN SAZZI Managing Director |
|--|--|

The Board of Directors has a mandate of one year and new elections will coincide with the approval of the financial statements. The three members of the Board of Statutory Auditors serve for a three-year term, from their appointment on 16 May 2019 until approval of the 2021 financial statements. The Supervisory Board's term of office will expire in December 2021. The financial statements of Florim S.p.A. SB, and the consolidated financial statements of FinFloor S.p.A. and Maranello 51 s.r.l., are audited and certified by Deloitte & Touche S.p.A.

CORPORATE STRUCTURE



■ Italian companies
■ Foreign companies



Florim headquarters (Fiorano Modenese – Modena, Italy)



PRODUCT SUSTAINABILITY



This section summarizes the concept of “Made in Florim”, denoting a product that encapsulates the company's core values: **passion, innovation** and **sustainability**.

It is only when an innate attention to design meets the most modern production technology that Florim porcelain stoneware is born. Anyone without hands-on experience of the ceramics industry will not understand the importance of every speck of dust: **attention to detail** is all-important for us. It takes passion and creativity, patience and research. This is what you can feel in the air when you walk into one of the big Florim plants. Here, knowledge of matter and industry experience merge with a natural sensitivity to beauty and a strong interest in design: the secret behind realization of a product that leads stylistic trends on the international ceramics scene.

It starts with selection of the best natural ingredients, meticulously monitored and blended. Then state-of-the-art technology, skilfully guided by human experience, steps in to guarantee **quality, safety** and **respect for people and the environment**. The people who produce our materials work in a safe place and in ethically sustainable conditions.

Due to their nature, all the Group's products are guaranteed free from pollutant emissions, do not accumulate electrostatic charges, are frostproof and completely inert and are undamaged by contact with flames.

100% of greenware waste from the production process and **100% of wastewater** are recycled in every Florim plant (further details from page 21).





























 <h2>HIGHLIGHTS</h2>	 <p>OVER 20 INTERNATIONAL PRODUCT CERTIFICATIONS</p>	 <p>26% AVERAGE RECYCLED MATERIAL CONTENT IN FLORIM PRODUCTS</p>
 <p>UP TO 70% RECYCLED MATERIAL IN OUTDOOR PRODUCTS 2 CM THICK</p>	 <p>OVER 90% OF RAW MATERIALS USED IN OUR PRODUCTS</p>	 <p>7 DESIGN WORLD AWARDS IN 2019, OVER 21 IN THE LAST 4 YEARS</p>

ISO 9001 CERTIFICATION OF THE QUALITY MANAGEMENT SYSTEM

Florim holds EN ISO 9001:2015 certification for the design, manufacture and sale of all categories of ceramic tile. The current ISO 9001 standard defines quality as the ability to satisfy explicit or implicit needs via a product or a service. A Quality System implies constant improvement of company processes in order to realize products that satisfy the customer's needs.

FLORIM PRODUCT CERTIFICATIONS

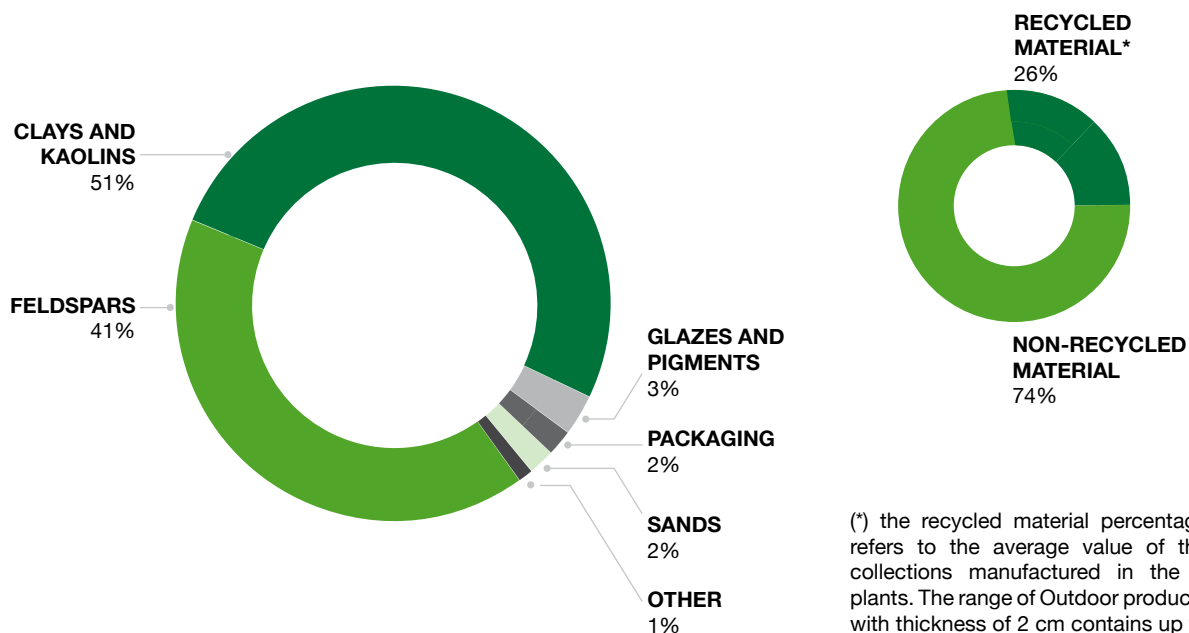
The following is a list of the **product certifications** obtained by all or some Florim and Florim USA collections, in addition to the **process environmental certifications**, occupational **health and safety** certification and **AEO** status, discussed in the respective sections.

		FLORIM	FLORIM USA
	CE Marking guarantees that a material is safe and in line with the regulations in force in the European Community for all production lots		
	Ecolabel certifies that products comply with the environmental and performance criteria established at the European level		
	Bureau Veritas certifies the pre-consumer recycled material content in accordance with the EN ISO 14021 standard		
	USGBC is the most important association which promotes the reduction of buildings' negative impact on the environment		
	Greenguard gold is the certification that protects people's health by improving air quality and reducing exposure to indoor chemicals		
	NSF is a worldwide benchmark for materials suitable for use as "solid surfacing for splash zone"		
	HPD - Health Product Declaration. These are standard declarations for transparent communication on products' ingredients and the associated risks		
	Sector EPD is a document which defines the environmental impacts arising from the production of a given product		
	Manufacturer-specific EPD is a document which defines the environmental impacts arising from a given company's production		
	CCC certifies that the material is suitable for export to China and complies with health and safety requirements		
	UPEC is a classification which identifies the most appropriate intended use for each product on the basis of the technical performances offered		
	Singapore Green Building Product identifies the most efficient products with regard to sustainability		

Florim products also hold **Kosher**, **TBWIC**, **IGIENCZY CERTIFICATE**, **Fitosanitaria**, **TIS**, **CIBD**, **SASO** and **SNI** certification, as well as other even more specific approvals for individual markets.

THE FLORIM PRODUCT

The Florim ceramic product consists of **over 90% choice quality natural raw materials**.



(*) the recycled material percentage refers to the average value of the collections manufactured in the 3 plants. The range of Outdoor products with thickness of 2 cm contains up to 70% recycled material.

MULTIPLE DESIGN AWARDS

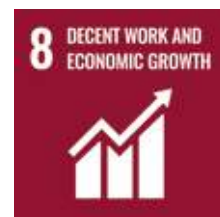
2019 was a year **rich in awards**, presented for **the outstanding design content** of the Florim brands. Leading the way was CEDIT – Ceramiche d'Italia, the brand with a clear call for experimentation, offering collections styled by Italian designers of international fame: BRH+, Marco Casamonti, Cristina Celestino, Formafantasma, Giorgia Zanellato and Daniele Bortotto, Giorgio Griffa, Franco Guerzoni, Matteo Nunziati, Federico Pepe, Zaven, and Elena Salmistraro for the new 2020 collection.

This impressive collection of awards reflects great determination and **an innate passion for beauty**, which have driven the company to challenge common conceptions and successfully transform what we all call a tile from a functional to a design object.


2019 AWARDS	BRAND	COLLECTION
GOOD DESIGN AWARD	CEDIT	RILIEVI
IF DESIGN AWARD	CEDIT	RILIEVI
RED DOT AWARD	CEDIT	RILIEVI
NYCxDESIGN Awards	CEDIT	ARALDICA
HD AWARDS	REX	ETOILE
ARCHIPRODUCT DESIGN AWARDS	CEDIT	POLICROMA
EDIDA awarded by Elle Decor Japan	CEDIT	POLICROMA

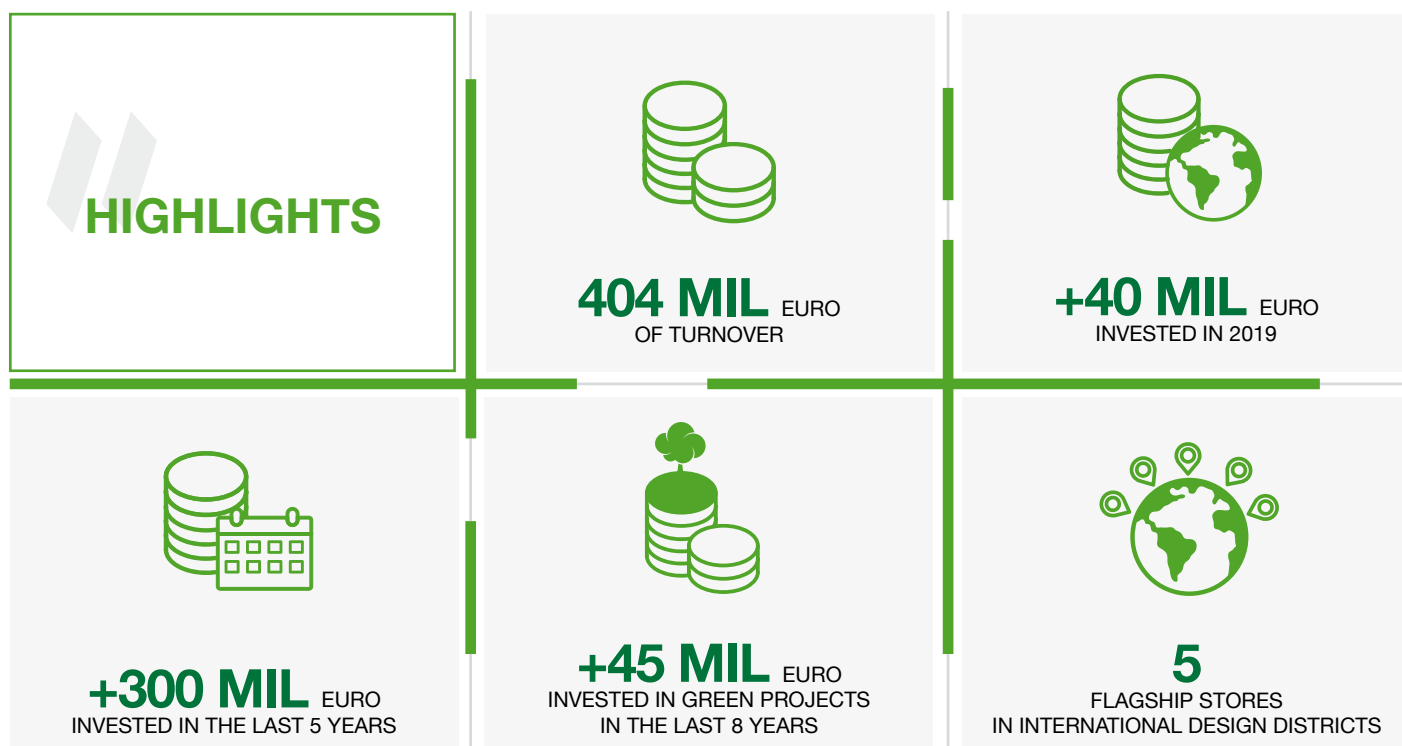


ECONOMIC RESPONSIBILITY



The Florim Group operates in one of the world's most famous ceramic floor and wall covering production districts. Florim has chosen to stand out on the market with an offering of **ultra high-end products**, completely conceived in Italy, in which **innovation, sustainability and beauty** come together to offer customers a product of unique technical and aesthetic quality. The Group has solid bonds to its local community and environment, constantly aware of its economic responsibility in relation to stakeholders, fulfilled by choosing local suppliers and launching many social responsibility projects. Through

this sustainability reporting, Florim has been committed for 12 years now to the transparent disclosure of its financial and other data to its main stakeholders. In addition to the various process certifications obtained by the production plants with regard to quality, the environment and safety, Florim was the first ceramics manufacturer in the Province of Modena to achieve  **- Authorized Economic Operator - certification**. This guarantees the company's absolute compliance with customs and security requirements in its foreign trade.



ECONOMIC DATA

FINFLOOR CONSOLIDATED (in thousands of €)					
	2015	2016	2017	2018	2019
Net earnings	374,094	406,759	424,826	410,697	404,094
EBIDTA	98,115	107,186	123,081	102,003	85,388
Gross cash flow	97,268	109,148	121,788	103,363	80,435
Net profit	43,324	49,347	57,808	55,424	31,172
(Negative)/positive net financial position	(27,326)	(12,508)	19,155	4,951	(57,195)*
Final inventory	92,795	96,721	106,557	124,443	120,857
Net shareholders' equity	332,721	369,937	393,600	444,009	458,024
Total investments	34,215	53,531	103,015	75,602	40,285

(*) Includes the book effect of application of the IFRS16 standard, which affects this figure by increasing indebtedness by about 65 million euro.

Sales of the Italian brands fell slightly, while the American business performed well, seeing off the growing competition from alternative products with élan.

The impact on the EBITDA was amplified by an increase in production costs in the Italian plants, affected by the launch of in-house large slab processing.

Leaving aside the book effects of the application of the IFRS16 standard, the Net Financial Position was again positive by about 8 million euro, in spite of investments of over 40 million euro.

INVESTMENTS

Of the 40 million euro invested in 2019, **about 17 million euro** was spent at the Fiorano and Mordano locations on various projects, including the **installation of a new photovoltaic plant**, while Florim USA Inc. invested 5 million euro, mainly on the installation of a new-generation kiln. The other investments related to the group's real estate operations. In the last 8 years, **over 45 million euro has been invested in sustainability**. In 2019, about 5 million euro was spent on "green" projects, including new photovoltaic plants.

FLORIM FLAGSHIP STORES

After **Milan, New York and Moscow**, the **Singapore Flagship Store was opened in 2019, followed early in 2020 by the one in Frankfurt**. Additional Stores will be opening very soon in London and Abu Dhabi, both top international design locations.

All these spaces share the same design philosophy, developed by Florim, and provide locations for meetings and dialogs with architects and interior designers.

INDUSTRY 4.0 FACTORY | FIORANO

The **new industry 4.0 factory** in Fiorano, a benchmark of leading-edge technology and a fine example of a low environmental impact industrial plant, went into operation in 2019.

The plant, which stands next door to the corporate headquarters, occupies an area of 48 thousand square meters and houses **the processing and logistics of Florim large slabs, with a totally new approach to serving the market.**

Sophisticated software is used to automatically control and manage the plants, humanoid robots and LGVs (Laser Guided Vehicles) at this factory, and the one built at Mordano (Bologna) in 2017, to ensure complete material traceability.

The entire facility was designed to minimize environmental impact, and it is one of Italy's very few industrial buildings certified in class A++++ (a ranking confirmed by the engineers of the Emilia-Romagna Regional Authority). All the vehicles used inside it are electric, and the rectification lines use an innovative dry rectifying system that does not need water, meaning no wastewater requiring physical/chemical treatment.

Constructed with the company's usual strong focus on beauty and design, the building incorporates 26,000 m² of photovoltaic panels which, in optimal conditions, help to make Florim completely self-sufficient in energy (further details from page 21).

On the facility's western side stands **Percorso Amoroso**, an impressive bronze sculpture by **Giuseppe Gallo**, which combines with the 11 rows of vines to enhance the architectural effect.



Florim | Industry 4.0 Factory - Plant 2 (Fiorano Modenese - Modena, Italy)






ENVIRONMENTAL RESPONSIBILITY


The green “L” in the Florim logo reflects our determination to **safeguard the environment and community where the company was born, and which still provide its home today**. Years of research and investment have made it a unique benchmark in environmental protection. This is proven by its figures, its certifications and the awards obtained. The company's commitment with regard to a sustainable footprint is not limited to compliance with current legal requirements, but sets itself **objectives for continual improvement** of its product, its process and, also, the management of its supply chain. This commitment has enabled the company to achieve major milestones, summarized in the pages which follow,

and confirmed by **international certifications**. In 2019, Florim began a process of updating all plywood display units, with the use of **new panels with low formaldehyde emissions** in all the display tools used, worldwide.

In addition to the issues described on the pages which follow, the company makes every effort to manage the energy and resources used in its offices, such as paper, to the highest standards. Florim only uses **environmentally certified paper** and great care is taken over recycling. The gradual **digitalization of catalogs** is also promoted: they are all available in .pdf format on the Group's websites and at the main dealerships via a touch-screen device for rapid consultation of products.

HIGHLIGHTS


45,000 m²
OF PHOTOVOLTAIC PANELS


2
COGENERATION PLANTS


UP TO **100%**
ELECTRICITY PRODUCED IN-HOUSE
(AT ITALIAN LOCATIONS)


100%
RECYCLING OF THE WATER
USED IN PRODUCTION PLANTS


100%
RECYCLING OF INDUSTRIAL GREENWARE
WASTE IN THE PRODUCTION PROCESS

PROCESS ENVIRONMENTAL CERTIFICATIONS



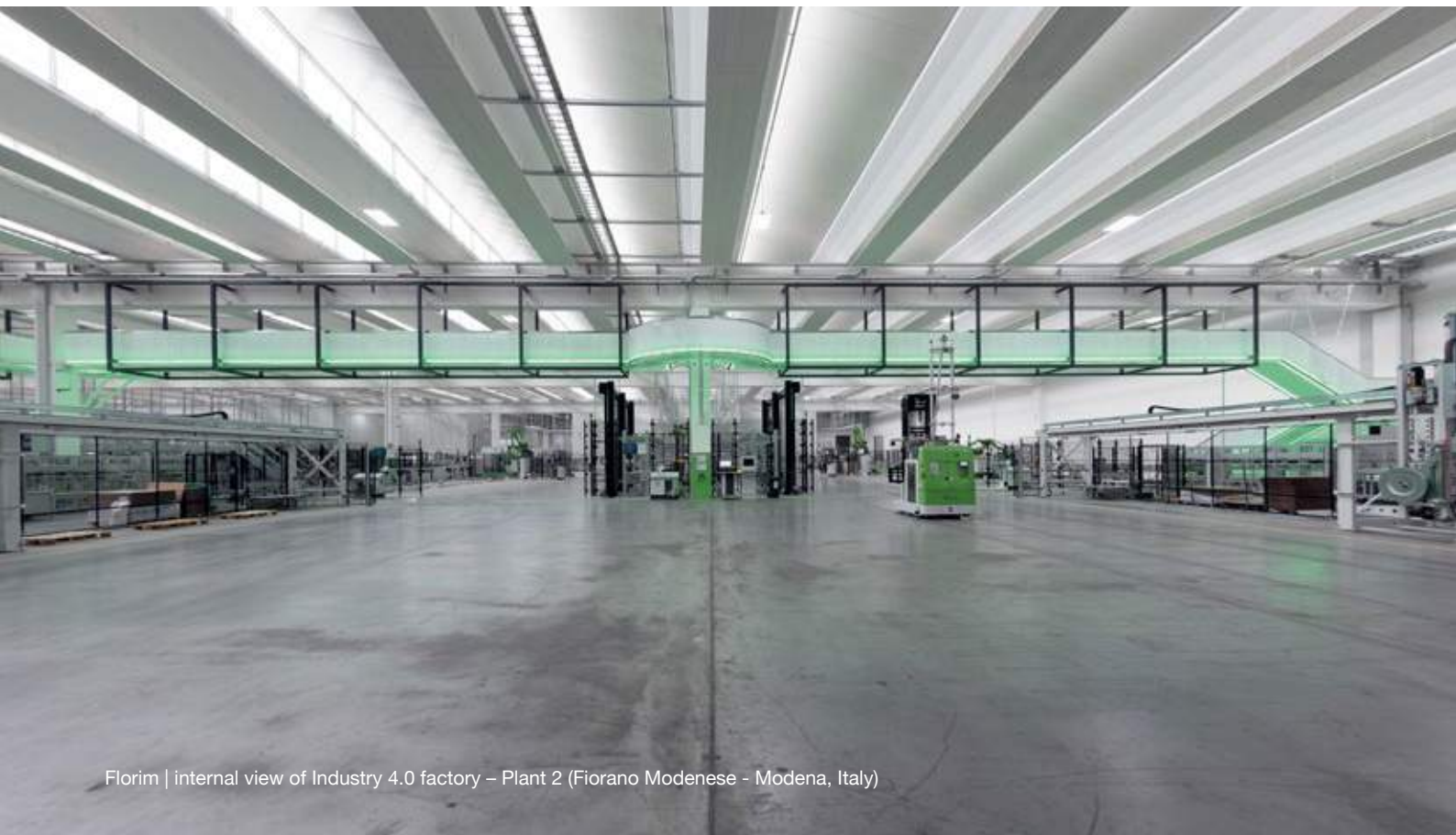
In addition to the certification covering occupational **health and safety**, the **quality system**, the **products** and **AEO** (Authorized Economic Operator) status, discussed in the relevant sections, the following process environmental certifications are also held:

EN ISO 50001

Thanks to a careful **energy management** policy and aided by the latest investments in the production area, which also improve energy efficiency, Florim S.p.A. SB was the **world's first ceramics manufacturer** to obtain ISO 50001 certification of its Energy Management System.

EN ISO 14001

All Florim plants have received TÜV EN ISO 14001 voluntary certification, which confirms compliance with a series of internationally codified procedures intended to improve the **internal environmental management system**. The decision to seek this certification springs from the desire to reconcile quality with efficiency and productivity while protecting the environment and community in which the company operates.



ENVIRONMENTAL MANAGEMENT

WASTE

Florim recycles and optimizes, within the production process, **all tile and slab greenware scraps, dust residues from filters and sludge from the process wastewater treatment system**. As well as the waste from its own production process, the company also reuses waste produced by third parties in both its Italian and United States plants. In 2019 the company was able to send 56,477 tons of waste (representing 95% of the total) for recycling.



95%
WASTE SENT FOR
RECYCLING IN 2019

WATER

Virtually no environmental impact of wastewater discharges is specified at Florim, since **all the wastewater from the production cycle at the Group's locations is 100% reused**. The only water not recycled is that utilized for the company's washrooms and kitchens. In order to optimize the use of water resources, Florim is trialing **innovative dry rectifying lines** which enable the company to **eliminate the physical/chemical treatment of the water** used in the rectification process.



0.02%
CONSUMPTION RATE = TOTAL
WATER CONSUMED (m³) /
FINISHED PRODUCT (m²)

RAW MATERIALS

All raw material suppliers are monitored via a software program which records quarry location, distance from the plant, recycled content declaration and technical safety datasheets. Florim products are therefore manufactured with **carefully selected, controlled "ingredients"**, blended and transformed into a **highly sustainable material**.



100%
SUPPLIERS MONITORED
VIA RAW MATERIAL
TRACING SOFTWARE

PACKAGING AND WRAPPINGS

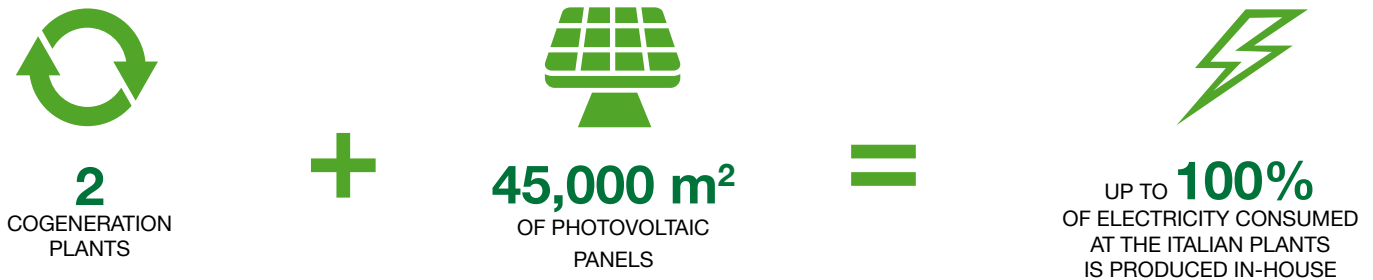
Florim packaging uses **100% recycled paper**. Latest-generation packaging machines, installed in all Italian plants, modulate and cut cardboard packaging to size, eliminating waste. What's more, over **162 thousand kg of heat-shrink plastic** was sent for recycling in 2019.



162 ton
HEAT-SHRINK PLASTIC
RECOVERED AND CORRECTLY
DISPOSED OF IN 2019

ENERGY MANAGEMENT

Very large amounts of energy are required to power the production processes of ceramic tile plants, with consequent direct and indirect impacts on the local area and the environment. All the Group's locations have **state-of the-art plants with low energy impact. With two cogeneration plants and 45,000 m² of photovoltaic panels** already operational, the company is uniquely well equipped in terms of energy production. In 2019 the amount of electricity self-generated by Florim would have been able to supply the energy needs of about 44,400 homes. On sunny days, the Florim plants are able to produce **up to 100% of the electricity needed to power the Italian factories**. In 2019, weather conditions enabled the in-house production of 80% of all electricity consumed.



PHOTOVOLTAIC PLANTS

The Fiorano Modenese headquarters have more than **45,000 m² of photovoltaic panels, which help the company to generate clean energy and avoid the emission of CO₂ into the environment**. 26,000 m² of these, installed at the end of 2018 and covering the roof of the new factory, came on stream in June 2019. The first plant, of 19,000 m², dates from 2012. **Since they went into service, the photovoltaic plants have produced 28,241 MWh and avoided the emission of 12,452 tons of CO₂ into the air.**



WATER DISPENSER PROJECT

In 2019 Florim launched a trial project for the benefit of employees, intended to **eliminate the use of disposable plastic water bottles**.

In October, a water dispenser connected to the water main was installed, giving employees free access to micro-filtered drinking water.

On completion of the trial phase, the project will be extended to all Italian plants, taking about 100,000 plastic water bottles a year out of circulation. The project has been up and running in the American plant for some time. Moreover, in Italian hospitality areas plastic bottles have been replaced by cans in aluminum, which can be recycled ad infinitum, and plastic tableware has been replaced with paper.



“Percorso Amoro” artwork by Giuseppe Gallo, Florim headquarters (Fiorano Modenese – Modena, Italy)

TENNESSEE GREEN STAR PARTNERSHIP

The Tennessee Green Star Partnership (TGSP) is a voluntary environmental leadership program facilitated by the Tennessee Department of Environment and Conservation. The partnership recognizes local manufacturers that are committed to sustainability and that exhibit continuous improvement in activities and processes. TGSP’s objectives **promote the health and well-being of all Tennesseans** and help stimulate economic development through avoided operational costs. This public/private partnership has resulted in many positive environmental outcomes including significant CO₂ emissions reductions through waste diversion and increased energy efficiency.

POST-COMBUSTORS

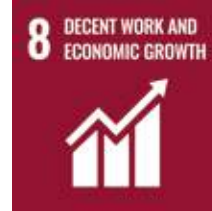
Although **all Florim plants already operate well below legal limits, the company has chosen to undertake additional investments to the benefit of the local community, to eliminate every type of odorous emission into the air.**

In 2019, **two post-combustion systems** with regenerative heat recovery were purchased for the Mordano plant.

These machines, which process the flue gases leaving the kiln at temperatures around 900°C, prevent the emissions of volatile organic compounds still contained in the flue gases, including the molecules which generate odors.






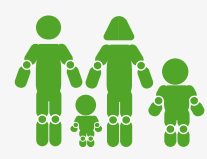
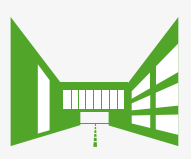

REX | LES BIJOUX DE REX COLLECTION



SOCIAL RESPONSIBILITY

The Group's Social Responsibility is reflected in a high degree of **attention to the needs of the people** who work for the company, their **families** and the **local community**. **Passion, humility, and a constant commitment to improvement** are the characteristics that guide and support the Group's personnel in the achievement of shared objectives. Although large and with a complex structure, the company has made every effort to keep internal relationships and communication simple at all levels. The large number of **corporate welfare** projects

demonstrate the care the company dedicates to its workforce, with health issues in first place. Florim also shows an impressive level of **community awareness**, expressed through the activities of the Fondazione Ing. Giovanni Lucchese and the Health&Training Center, and the events organized at the Florim Gallery, including the "health meetings". The pages which follow provide an overview of the activities and projects run by the Group for its employees and the community during the last few years.

 <p>HIGHLIGHTS</p>	 <p>1,410 FLORIM EMPLOYEES WORLDWIDE</p>	 <p>138 CHILDREN WHO BENEFITED FROM THE FLORIM SUMMER PLAY SCHEME PROJECT IN 2019</p>
 <p>2 NEW HUMANOIDS FOR THE HEALTH&TRAINING CENTER, WHICH NOW HAS 4 OF THEM</p>	 <p>11,845 VISITORS TO THE GALLERY DURING 2019 (OVER 80,000 SINCE OCTOBER 2013)</p>	 <p>373 FREE CARDIOLOGICAL AND GYNECOLOGICAL SCREENING SESSIONS FOR WOMEN IN THE FLORIM ORGANIZATION</p>

EMPLOYEES

In 2019 there were **1,410 Florim people** worldwide. This number includes the employees of Florim Italia, Florim USA and the other international locations.

	MANAGERS	EXECUTIVES	OFFICE WORKERS AND APPRENTICES	OFFICE ANCILLARIES	FACTORY WORKERS AND APPRENTICES	CONTRACTOR STAFF INTERNS	TOTALS
Men	24	48	171	72	547	55	917
Women	4	10	200	14	250	15	493
TOTAL	28	58	371	86	797	70	1,410

HEALTH AND SAFETY

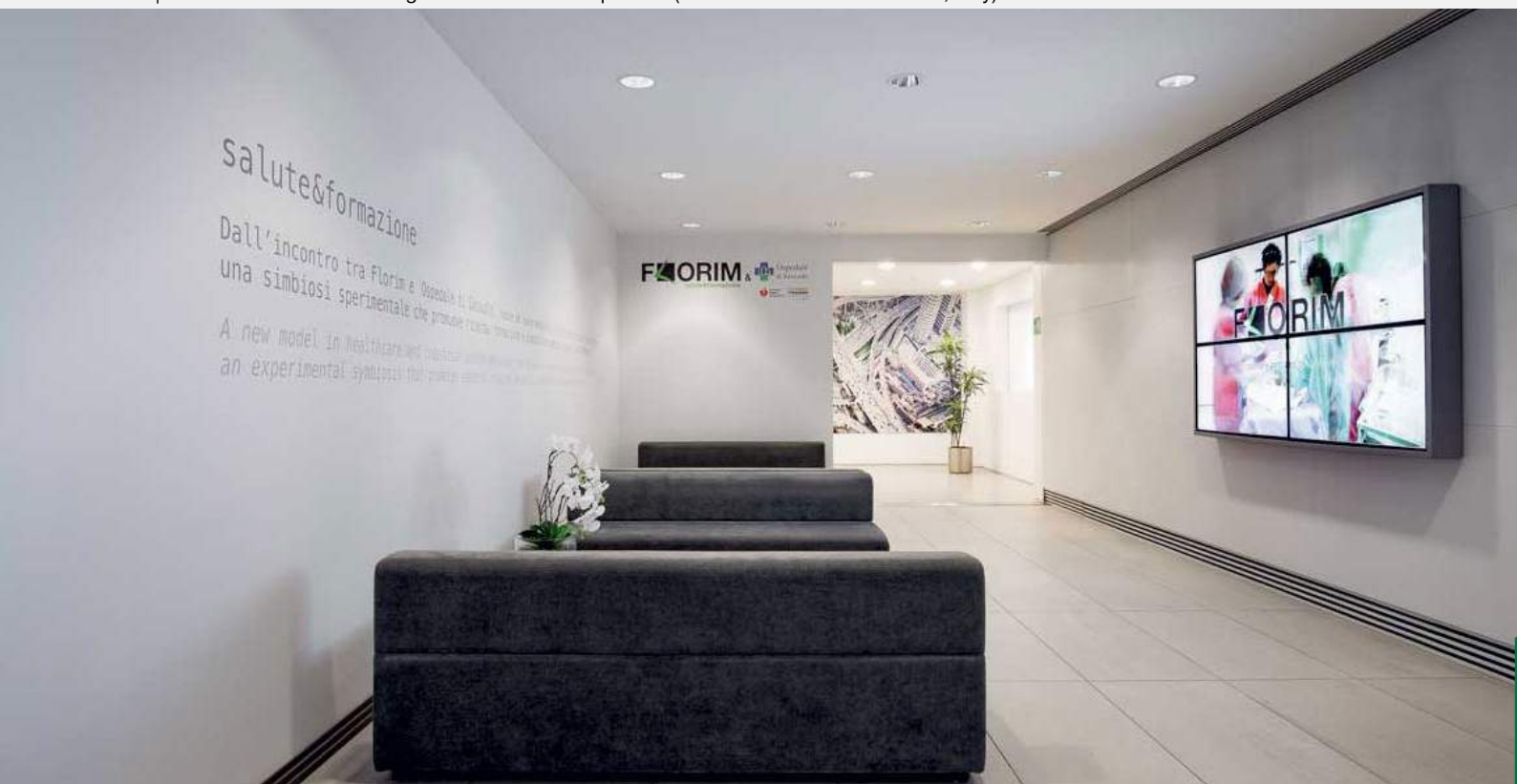
Its employees' health and safety has always been a top priority for Florim, which was the first Italian ceramics corporation to achieve BS OHSAS 18001 international occupational health and safety certification. During the first few months of 2020, both Italian locations confirmed their focus on plant safety by obtaining the new **ISO 45001** certification.

Every year, in addition to plant inspections and maintenance, hours of training on safety and environment issues are organized to raise awareness among workers and supervisors. With support from Sassuolo Hospital, the company also organizes free events open to the local community for the promotion of a healthy lifestyle and the prevention of the most common diseases (26 have been held since 2014). BLS/D refresher courses are ongoing for the team of Florim employees trained in first-aid operations and the use of the **defibrillators** available on site.

Florim USA also continues to run projects for the health of its employees through specific educational meetings. A different disease is discussed every month, in order to raise awareness and promote prevention.

In 2019 a total of 75 accidents were recorded in Italy and the USA. This figure, stable compared to 2018, also includes accidents during the home-work commute.

Florim | entrance to Health&Training Center at the headquarters (Fiorano Modenese - Modena, Italy)



CORPORATE WELFARE PROJECTS



ITALY

Below we summarize some of the main programs run for employees at the Italian locations:

- | **Agreement with Sassuolo Hospital** enabling Florim employees and their family members to enjoy discounts and shorter waiting times for specialist examinations and outpatient diagnostic tests performed on a private basis
- | Free two-week **summer play scheme** for employees' children
- | **Tax advice** at special rates
- | Free entry to the **Peggy Guggenheim** Collection in Venice for employees and concessions for family members
- | Distribution of **fuel vouchers** to employees for the Christmas holidays
- | **Free entrance** to **cultural events** at Florim Gallery
- | **Wedding bonus**
- | **Discounts** on the purchase of **Florim products** for employees' homes

USA

In the United States, full-time staff are provided with:



- | **(Basic) Life insurance** (supplemental life insurance for employees and families available optionally)
- | **Health, dental and eye care** insurance
- | Short-term and long-term **disability support**
- | Employee **retirement plan**
- | **Special events** for employees: annual picnic and employee anniversary dinner
- | **Discounts** on the purchase of **Milestone products** for employees' homes

FLORIM METTE UNA VIRGOLA ROSA [FLORIM PINK COMMA]

In partnership with Sassuolo Hospital, Florim encourages all female Italian employees to take up **free screening** to prevent the most common cardiovascular and gynecological diseases.

The results achieved are impressive: over **370 examinations (191 cardiological and 182 gynecological)** with subsequent follow-up. In some cases, these checks identified the initial phases of cancers which without this prevention program could have deteriorated and seriously jeopardized the health of the patients concerned.

These high figures reflect the importance of the project, run thanks to the invaluable assistance of Dr Marcella Camellini and Dr Ivana Algeri at Ospedale di Sassuolo S.p.A.

OFFICINA DELLE IDEE

In 2019 Florim presented the prizes to the winning projects in the first edition of the “Officine delle idee” (or “Ideas Workshop”), a corporate project targeting all Italian employees intended to **improve internal processes**, encourage new “bottom-up” initiatives, and foster the feeling of belonging to the organization.

“**But wouldn't it be better if we did it like this?**”. With these words, the company invited its workforce to send in ideas and suggestions for changes, with the aim of selecting the brightest proposals and putting them into practice in four different areas: passion, innovation, environmental sustainability and customer service/distribution strategy.

ART AND WORKPLACES

A people-centered approach is also expressed through care taken over workplaces. From Italy to the USA, by way of its international Flagship Stores, the company pays great attention to the quality of its spaces, designing them with immense care and passion, to make them **attractive to look at, and above all to live in**. With this philosophy, Florim has beautified its Fiorano Modenese headquarters with prestigious artworks.

“**Il Cavallo**” by Mimmo Paladino in the main entrance and “**Percorso Amoroso**” by Giuseppe Gallo on the west side of the new Industry 4.0 factory are the latest works to arrive: two impressive sculptures that give the Group's corporate headquarters a unique identity and contribute to the quality of environment for the people who work there.



COMMUNITY WELFARE, ART AND CULTURE PROJECTS

FONDAZIONE ING. GIOVANNI LUCCHESI

The foundation, established in memory of Group founder **Giovanni Lucchese**, supports organizations and associations that assist families in need in the ceramics district.

As well as this, the Foundation's **latest projects** include:

- | **XXIII edition of the Premio Lucchese**, which awards scholarships to top students from the “Alessandro Volta” Technical High School at Sassuolo
- | **Purchase of two new-generation humanoids** for medical simulation procedures at the Health&Training Center (giving a total of 4 now available)
- | Grant for **renovation of the Luigi Coccapani kindergarten** at Fiorano
- | Grant to Rock no War for **creation of the “hybrid operating room”** at Baggiovara Hospital
- | Participation in the **Fondazione Teatro Carani** to support the renovation of the historic theater in Sassuolo

FLORIM USA

During 2019, Florim USA reinforced its support for the local community through:

- | Award of **four scholarships** to deserving students at the Austin Peay State University
- | **Financial support** for the “Clarksville Association for Down Syndrome” and “Buddy Walk”, which support the social inclusion of people in vulnerable categories in the Clarksville area
- | **Financial support** for “Aspire Clarksville”, which supports a large number of causes in the Clarksville area and “Lowe's Swing for Charity” to increase educational opportunities and help communities in difficulty

In addition to the company's financial support, Florim USA **employees** also **donated time, money and goods** to people in need in the local community.

FLORIM GALLERY

A **versatile location for products and events**, an unusual place representing a new model of industrial culture, belonging to a company that wishes to open out to its community through initiatives unrelated to its specific area of business. Large spaces, light and simple, symmetrical lines are the keys to the character of this modern, elegant location, which has established itself in recent years as the **ceramic district's cultural hub**, winning the Emilia-Romagna Region's “**Special Prize for Culture**”. Since it was opened at the end of October 2013, the Gallery **has hosted more than 130 events and welcomed more than 80,000 people**.

SUPPORT FOR THE PROMOTION OF CULTURE AND ART

As befits a company that combines the values of its local community and historic and artistic heritage with a flair for research and innovation, Florim has launched a **partnership with the Peggy Guggenheim Collection in Venice**, confirming its commitment to promoting art by supporting a collection of amazing beauty.

FLORIM HEALTH&TRAINING



A **Center dedicated to training, research and advanced medical simulation** was created in the heart of the Florim location at Fiorano in 2014.

THE CENTER

The Center is more than 600 m² in area and contains a lecture theater able to seat over 100 people and a number of classrooms for seminars and lessons. The most valuable part is the **sophisticated control room** available to Medical and Paramedical staff, where **state-of-the-art technology allows control of the humanoids which reproduce human functions in the next-door Simulation Center**.

ACTIVITIES

The Center's activities are managed **by Ospedale di Sassuolo S.p.A.** As well as simulation, the health care personnel also organize technical and specialist training sessions. The **Santa Maria Nuova Hospital in Reggio Emilia** and the **Modena University Hospital Trust** also recently joined the project. The Florim Health&Training Center is the first in Italy within a private corporation to be certified by the **American Heart Association, the oldest and most respected American voluntary organization with the mission of combating cardiovascular diseases such as heart attack and stroke**.

HEALTH MEETINGS

Designed as a space for community use, the Center is also a hub for increasing awareness of prevention and the ability to perform first aid maneuvers in the general population. Since it was opened, it has held **26 free events open to the public called "Health Meetings"**, discussing topics ranging from good diet to first aid procedures.



HEALTHCARE DISCOUNTS FOR FLORIM EMPLOYEES

The project also includes a major welfare program for all Florim employees and their family members, entitling them to **discounts and shorter waiting times** for specialist examinations and outpatient diagnostic tests performed on a private basis. In 2019 a total of **120 medical examinations** were performed.

THE CENTER IN FIGURES

- | **600 m²** area
- | **26** health meetings involving over **4,000** participants
- | **3 hospitals involved** (Sassuolo Hospital, Santa Maria Nuova Hospital, Reggio Emilia and Modena University Hospital Trust)
- | **set of 4 humanoids** (newborn, child, adult and pregnant woman)
- | **1,346** people who have received an **American Heart Association** certificate at the center
- | **120 medical examinations** at special rates for Florim employees and family members in 2019



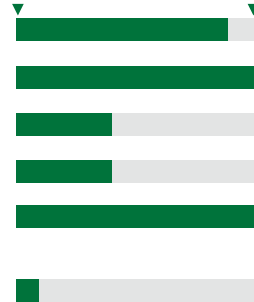
OUR COMMITMENTS

2019 RESULTS

ECONOMIC AREA

Opening of a new Florim Flagship Store in Frankfurt	100%
Opening of a new Florim Flagship Store in Singapore	100%
Introduction of the new SAP S/4HANA business suite in Italy	25%
Introduction of the new SAP S/4HANA business suite in the USA	25%
Introduction of new vertical warehouses for the management of spare parts in the Mordano factories	100%
Renovation of the Clarksville location administrative office building at the Clarksville location	10%

0% 100%



ENVIRONMENT AND SAFETY AREA

Commissioning of the 26,000 m ² of photovoltaic panels installed in the new Fiorano plant	100%
Installation of control software for the LED lights at the new Fiorano plant	100%
Creation of a new internal traffic network at the Florim headquarters and implementation of a tag system for pedestrian detection in the logistics area	75%
Connection to the agricultural-industrial water main at Fiorano	100%
Installation of a new post-combustion system with regenerative heat recovery at the Mordano location	100%
Replacement of the Diesel vehicles used for handling materials at the Italian locations with electric vehicles	100%
Introduction of new energy data analysis software in the Italian factories	75%
New measures at the Italian factories to comply with the new ISO 45001 standard, which supersedes OHSAS 18001	100%
Continuation of in-house training on the environment, energy and safety at all locations	100%
Achievement of ISO 14001 certification also at the USA location	100%

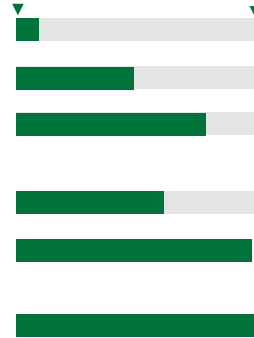
0% 100%



SOCIAL AREA

Continuation of the "Officina delle Idee" project with realization of the winning idea	10%
Launch of the "B. diritto alla bellezza" [B. right to beauty] project	25%
Support for the realization of an innovative bilingual school with 3.0 teaching in the Modena area	75%
Organization of a corporate welfare plan for the Mordano location	75%
Hosting of new health promotion events organized in association with Ospedale di Sassuolo S.p.A.	100%
Support for the realization of the new Vidas Casa Sollievo Bimbi children's hospice	100%

0% 100%





SUSTAINABLE DEVELOPMENT GOALS

In this Report, we have also chosen to include references to the Sustainable Development Goals, to highlight the Group's contributions to the targets set in the 2030 Agenda.

In September 2015, more than 150 international leaders met at the UN to agree a document intended to contribute to global development, promote human well-being and protect the environment. The community of States approved the 2030 Agenda for sustainable development, the key constituents of which are the **17 goals known as SDGs** (Sustainable Development Goals). In its approach to business the **Florim Group** has been committed to pursuing some of the SDGs for years now; they are included in the various sections of this Sustainability Report.

The Florim Sustainability Report is one of those chosen by Italian consumers for its clarity and effectiveness. The survey was conducted on the initiative of the Consumerlab research center in association with Codacons. From a list of 537 documents, readers selected just 40 as good examples of how they would like information to be presented to enable them to assess whether a producer deserves their business.

Amongst these, **the Florim Sustainability Report was considered to accurately describe a management approach which respects the future since it gives due importance to the common good, general interest and social cohesion.**

2020 GOALS

ECONOMIC AREA

Opening of a Florim Flagship Store in London

Opening of a Florim Flagship Store in Abu Dhabi

Construction of a new slab processing factory at Fiorano

Creation of a new entrance at the Fiorano location for raw materials

Construction of a new material storage yard at Mordano, and new finished product truck loading bays

Adoption of digital technologies for the launch of new products and to engage with Group customers

ENVIRONMENT AND SAFETY AREA

Introduction of the new internal protocol - FLORIM CARE - for management of the Covid-19 pandemic at all locations

70% reduction in use of plastic bottles thanks to the installation of micro-filtered water dispensers in the Italian offices and plants

Modernization of the photovoltaic plant on the roofs of the Fiorano plant

Reduction of use of diesel forklifts in the Fiorano plant

Reduction of noise from slab rectification operations at Mordano

Modernization of atomization plant at Mordano, with consequent energy saving

Achievement of Green Squared Certification at the Clarksville plant

SOCIAL AREA

Completion of creation of new disabled access to Fiorano office building

Continuation of the cycle of "Health meetings" in association with Sassuolo Hospital S.p.A. with a new digital format

Funding of the "Dopo di noi" project with Rock no War and other local businesses

Economic support for laid-off workers

Funding of local hospitals during the Covid-19 emergency

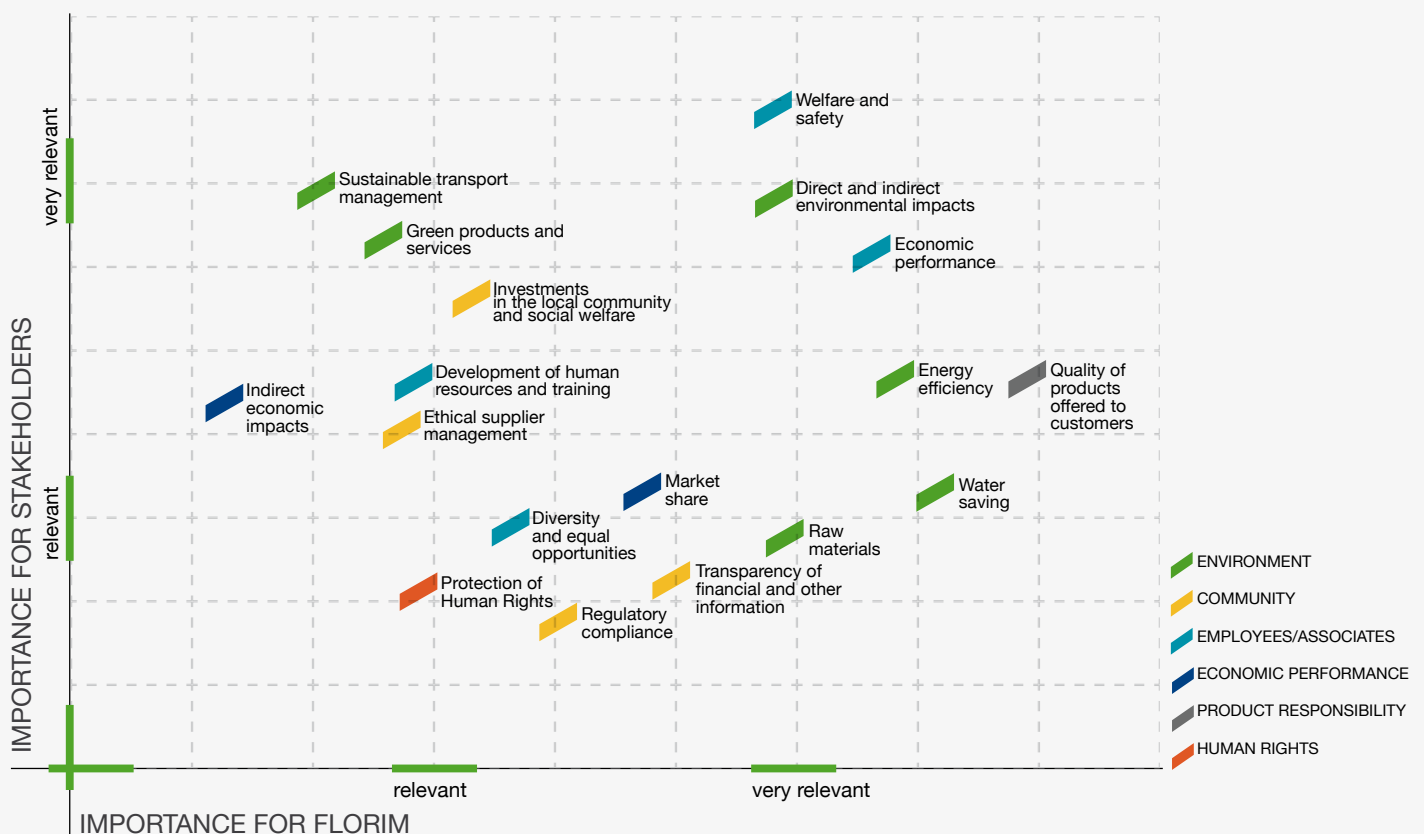
Installation of 3 new defibrillators at the American plant



NOTE ON METHOD AND MATERIALITY APPROACH

Writing and distributing its annual Sustainability Report enables Florim to **communicate with its stakeholders with transparency, describe the results achieved and set out future goals**, in an approach based on engagement and continual improvement. It is in this spirit that we have always sought, year-on-year, to improve this document and ensure that it is concise and easy to read. This document is the summary of the complete Sustainability Report, which is available in the download area of the florim.com website and is drawn up in accordance with the Standards version of the Global Reporting Initiative (GRI) guidelines.

In compliance with the new GRI Standard guidelines, Florim has analyzed and identified “relevant” topics, which were assessed by the working team which drafted the Sustainability Report on the basis of discussions with the main stakeholders. **In November 2019 representatives of employees and trade unions, customers and consumers, architects, interior designers and developers, communities, institutions and suppliers were invited to a focus group meeting held at the Fiorano headquarters, which discussed the key issues**, deciding their placing on the chart shown here. This was also an **opportunity for listening to stakeholders' expectations in relation to the company**. The Materiality Map shown below was updated accordingly.



Looking at the map, it can be seen that the issues of most importance to both the company and stakeholders, located in the top right corner, were Welfare and Safety, Direct and Indirect Environmental Impacts and Economic performance. While the company prioritizes Product Quality and Energy Efficiency, stakeholders draw attention to Investments in the local community and social welfare, as well as the environmental issues of transport and green product and services. It can also be seen that the topics in the bottom left-hand corner are considered “less relevant” because they are easy for both the stakeholders and Florim to manage and no problems have ever been reported over the years. **The materiality map thus offers a clear, synthetic view of the issues to be leveraged to improve Florim's already high sustainability standard, with a view to continual improvement and sustainability.**

To keep up to date with our business:



For any further information, please feel free to contact our communications department: comunicazione@florim.com

By
Florim S.p.A. SB
Financial Department - supervision
Communications Department - editorial coordination
Our thanks to all contributing staff members.





**PASSION
INNOVATION
SUSTAINABILITY**



FLORIM

DESIGN IS OUR PASSION

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