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OF LIFE



Sustainability Report

2010

3rd Edition

FLORIM





Sustainability Report

2010

3rd Edition



By

Florim Ceramiche Spa

Finance Department - Supervision

Communication Department - Editorial coordination

We thank all staff members who have contributed.



Fiorano Modenese (MO), Italy - May 2011

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Methodology

Notes to the third edition

The information collected in this document will allow Florim stakeholders to monitor and assess the results achieved by the company as well as get a picture of its current operations, while helping to understand its future objectives. The Sustainability Report is compiled on a yearly basis, to promote the social responsibility of the company, inside Florim and between Florim and its community.

In this third edition, as in the previous edition, report writers used the theme areas and indicators recommended by the Global Reporting Initiative (GRI), the most authoritative international guidelines for reporting environmental, economic and social sustainability. For the part related to Value Added calculation, reference was made to social accounting policies implemented on a national level, as indicated by the Group Social Report (GSR).

The report also includes a section dedicated to a brief Sustainability Report that concerns Florim USA.



Letter to our stakeholders

In spite of the wholly uncertain global economic landscape, Florim ended 2010 with generally encouraging results, confirming the soundness of the strategic decisions made by the company.

In terms of social policy, Florim continued to use essential social benefits available to assist its workers, including the solidarity contract, primarily designed for clerical employees, and the extraordinary wage guarantee fund, for factory workers. To bolster the income of people involved in this situation, the company resolved to continue the plan launched in 2009 by the Florim Executive Solidarity Association, and disburse its own funds.

In the year, Florim has also planned a massive work of investment aimed at giving priority to the production plant in company activities, to make it the heart of Florim. The objective was to introduce technological and product innovation, simultaneously improving the quality of the work environment, with the intention of making human resources, with its skills and invaluable experience, the fulcrum of our industrial development.

The financial and economic data portray a company in sound financial health. Investments, increased productivity, a renewed efficiency at all levels and the fundamental contribution of our American subsidiary have allowed us to look to the future with great optimism. We are certain that the path undertaken, made up of sacrifices, passion and attention to economic, social and environmental sustainability, is the only way to maintain that vital balance that will allow us to smoothly overcome the current historic circumstances.

We hope you enjoy reading this report.

Claudio Lucchese

President of Florim Ceramiche SpA



Florim Ceramiche – Central headquarters (Fiorano Modenese, MO - Italy)

Florim in brief

Our history

- 1962** Engineer Giovanni Lucchese was a pioneer in the production of extruded **klinker tiles** in Italy when this German technology was still in its inception. **Floor Gres** was established and opened a production plant in Sassuolo.
- 1967** Floor Gres was the first Italian industry to produce **single-fired white body tiles**, using technology that would be later adopted by most other tile makers.
- 1976** The **Swimming Pool Division** was set up at Floor Gres.
- 1981** Floor Gres was one of the first companies in the world to make porcelain tiles; the company still has a great amount of experience in production of this material.
- 1984** **Claudio Lucchese**, son of the founder, took over management of Floor Gres after the premature death of his father.
- 1990** Floor Gres acquired the company **Cerim Ceramiche**.
- 1992** **Florim** was the result of the merger between Floor Gres and Cerim.
- 1994** Florim acquired **Rex Ceramiche Artistiche**.
- 1995** The **Projects Division** was founded to provide technical support and consulting to designers in building swimming pools, ventilated curtain walls, raised floors and industrial floors.
- 2000** **Florim USA** was founded, the result of the production and commercial structure that would quickly grow on the US market
- 2005** Florim acquired **Casa dolce casa**.
- 2006** The **Casamood** brand was founded.
- 2009**
- Florim was the first company in Italy to produce and sell in a traditional way **thin porcelain tiles**.
 - The company introduced **Florim by Makro** projects: showers, bathtubs, and basins made with light prefabrication and lined with Florim ceramic material.
 - The first **Florim Flagship Store** opened in the heart of **Milan**.

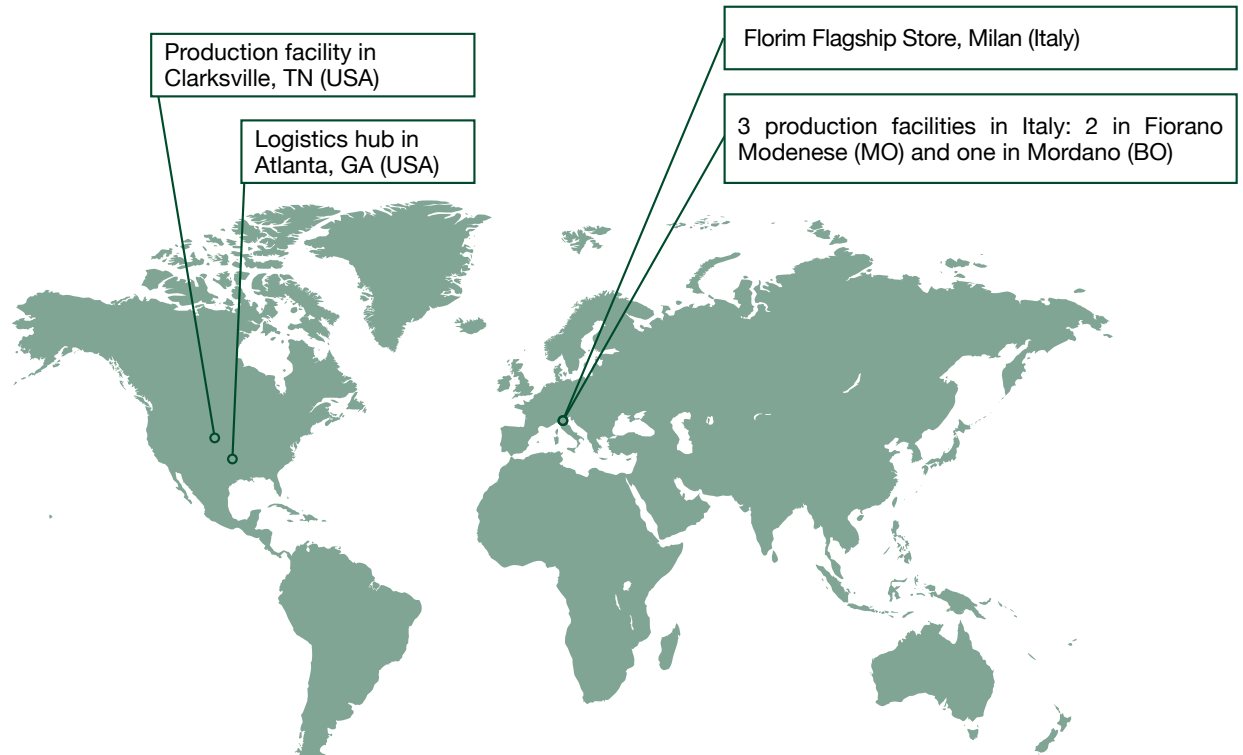
Florim today

Florim Ceramiche S.p.A. employs a staff of 1400 individuals around the world. In 2010, the staff generated consolidated turnover of more than 270 million euro and achieved production of 19 million square meters in the same year.

Its interest in international markets, strategically planned over many years, its consolidated brands (Floor Gres, Rex, Cerim, Casa dolce casa, Casamood, Florim USA) and an industrial organization made up of three production facilities in Italy and one in the United States, logistics centers or partnerships in Europe, the United States and Asia, have given Florim a solid structure that can capitalize on and meet the needs of an increasingly global market, to respond to the needs and the models of architecture, urban planning, and culture of every country of the world.

The value of Florim is also expressed in the work of **Florim Solutions**, a branch of the Projects Division. Its technical staff is made up of specialized personnel that can guarantee assistance and expert consulting to professionals and companies in designing swimming pools, curtain walls, raised floors and industrial floors, bathrooms in light prefab materials, and global urban settings.

Florim in the world



The brands



Floor Gres is the brand dedicated to project architecture, where different materials and finishes guarantee long lasting use and superior technical performance. The range of Floor Gres products can meet the needs of design, the technical aspects and eco-compatibility of contemporary architecture.



Rex is the name synonymous with elegance and aesthetic research, with a series marked by the contemporary style and inspired by fine natural materials (leather, natural horn, wood, marble, and stone). Floors and tiles perfectly coordinated, in which the interaction of the surfaces generate a new language of fine living.



Cerim is the brand dedicated mainly to tiles, colors, and decoration. With Cerim, surfaces are created while considering the space as a whole, to create unique rooms in the home and suggest solutions that adapt to the highest needs of beauty.



Casa dolce casa is the brand designed for top tier residential architecture. Just as its name suggests, this brand is inspired by warmth, the harmony of the colors and the textures of nature. The rich and refined materials achieve a fine balance between the traditional and the contemporary.

casamood

Casamood is a system of coordinated colors and surfaces that pairs porcelain stoneware with other types of materials (glass, paint, sealant). The rooms are developed as a whole entity in which the atmosphere of the architectural design is closely connected with the interior design to construct new types of relationships.



Florim USA is the brand of our American subsidiary. Products in porcelain stoneware for residential and commercial properties, manufactured in the factory in Clarksville, Tennessee and designed to meet the style needs of a wide market segment.

The commitment to innovation

New systems

The year 2010 represented a new objective reached for Florim in its journey toward technological research, process efficiency, and production capacity. Florim installed brand new **milling and spraying systems** in its Via Canaletto facility in Fiorano Modenese that will boost the throughput of the facility, allowing it to streamline handling of the clay, optimize production, and improve the skills and working conditions of employees.

A quick look at the figures immediately reveals the entity of this innovation. Florim constructed a new industrial building measuring 3,400 m², with 28 meter ceilings to hold three spraying systems, four underground tanks, 42 stocking silos, connected together by several kilometers of stainless steel pipe and belts for transporting the sprayed materials (which connect the new structure with the existing factory).

What makes these new systems completely innovative is the presence of an industrial **color-blending system** for coloring the slip, controlled by software that keeps the color of the tile material as uniform as possible.

These systems make it possible to increase the production and stocking capacity of the factory by approximately 30%, while reducing processing scrap and facilitating its quick recycling and reuse in the production cycle. This action also includes use of innovative new filters and purifiers that can make the factory healthier and safer for factory workers.

Furthermore, Florim has also installed five **next-generation machines** to its production lines that handle **digital decoration of the tiles**.

A new **double channel kiln** has also been installed. This new system consists of a machine made up of two stacked kilns which occupy the same amount of floor surface to fire twice the square meters of product possible with just one. The heat generated by the kiln is collected and channeled back into the factory, so it can be reused.



Florim Ceramiche - Via Canaletto production plant (Fiorano Modenese, MO - Italy)

New sizes

In 2010, Florim introduced the market to two new sizes that are brand new for the company: the **80x80 cm** tile on several new series presented at Cersaie (the first company in Italy to use it, with digital technology) and the **120x120 cm** on the Nera collection by Casamood, launched at the Salone del Mobile in an event held at the Florim Flagship Store spaces in Milan.



Rex - "I Preziosi" series

Thin porcelain stoneware

In 2009, Florim introduced its **Slim/4** project onto the market. Slim/4 are slabs of thin (**4 mm**) **porcelain stoneware**, a flooring and wall tile material that are extremely durable and resistant to a variety of stressors. It is also easy to cut, perforate and maintain and it is especially ideal for **renovation and refurbishment** projects where tile needs to be installed on preexisting surfaces.

Florim believes it to be a **truly ecological product** because :

- it requires less raw material to manufacture it
- it greatly limits the CO₂ emissions generated when transporting the material (square meters of product being equal, the weight of Slim/4 is more than half that of traditional tile)
- the installation on pre-existing materials avoids production of wastes to dispose of, while reducing the noise level at the job site
- it carries the Ecolabel certification

Florim's research into slim formats continued steadily throughout 2010. The objective we have set for ourselves is to continue along this path toward technological innovation, coming up with a material with improved technical performance which represents the ideal solution for a wide range of applications.

Corporate Social Responsibility Award 2010

For the second year in a row, Florim won the prestigious “CSR – Corporate Social Responsibility award in the province of Modena”. A joint recognition between the Province of Modena and the Chamber of Commerce, now in its fifth edition, the Award aims to reward and acknowledge the finest examples of CSR in a number of categories, citing them as standards of innovation and corporate culture. This year Florim won this important recognition in the category of “Environmental and Social Reporting and Communication” with the 2009 edition of the Sustainability Report, the first report of this nature in the ceramic tile industry. The Report has become a benchmark for reporting on the commitments and actions taken by the company in an economic, social and environmental framework, and represents an ideal tool of information and dialogue to all stakeholders.

This is why the Sustainability Report is published each year, as an addition to the traditional methods of management control, as a constant reminder of its corporate stability and commitment to improving company performance and understanding its impact on the community, while seeking to combine competitiveness, innovation and sustainability.



From left to right: Giulio Saltarelli (Florim Communication Manager), Giovanni Grossi (Florim Chief Financial Officer) and Emilio Sabattini (President of the Province of Modena)

Publication of the Sustainability Report 2009

The Sustainability Report 2009, also published in English, has had an even greater distribution with respect to the past. Below are the main methods Florim has used:

- providing a copy to all employees of the Italian and American companies, enclosed with their pay stubs
- uploading the PDF file onto the company intranet site, in the section “Florim and Corporate Social Responsibility”
- uploading the PDF on the florim.it web site in the “Corporate Sustainability” section
- distributing it to corporate members of the Modena Business Club for Corporate Social Responsibility
- sending it to local institutions and trade union representatives
- delivery to the trade press during exhibitions and on-site visits
- sending it to the local press
- delivery to Florim’s leading customers and designers during the main trade fairs
- sending it to the main domestic bodies/authorities/associations involved in the issues related to sustainability and the environment.



PART ONE – CORPORATE GOVERNANCE

Florim's Mission and Values

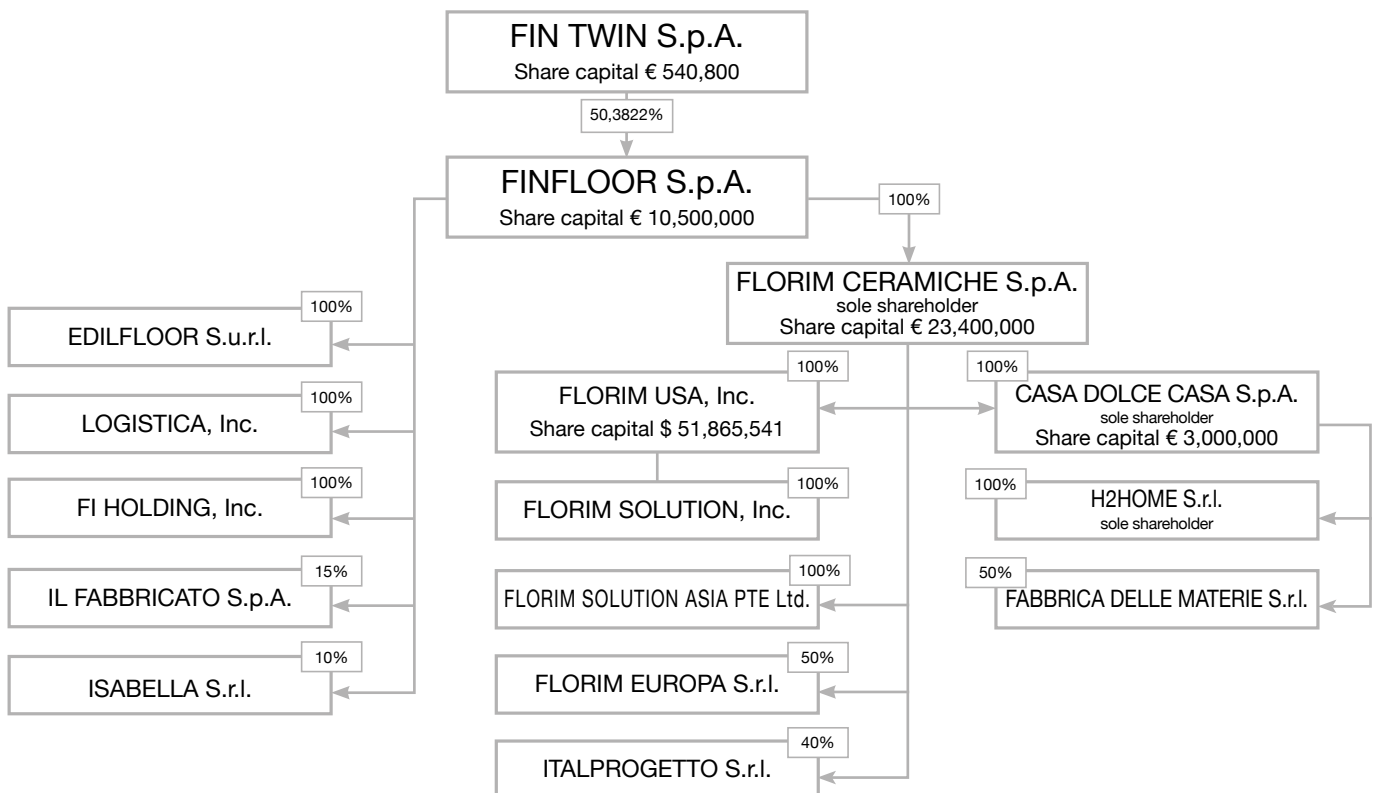
The mission at Florim is to become a company that can come up with the best solutions in terms of materials and elements for architecture, while prioritizing ecological sustainability and attempting to meet the needs of customers and create value for shareholders, employees and the local region.

Furthermore, Florim aims to become a successful company and become a key player for the entire ceramics industry.

The values and reference factors in the strategies and operating activities of Florim include:

- the constant drive toward research, innovation, and the highest quality of the products and processes
- instilling in our employees and associates a sense of belonging
- transparency in our relationships and actions
- the highest quality of the work place
- environmental and social sustainability in the framework where we do business

The corporate structure of Florim



Organization, management and control model

In 2010 the contents of the Organizational Model, pursuant to Legislative Decree No. 231/01, were further explored, especially in connection with prevention of offences that can be committed in an administrative and tax context. To complete this plan, in 2011, the company will revise its Code of Ethics and its Organizational Model.

Florim's key stakeholders

When we use the term stakeholder, we mean all individuals and groups of people who can influence or be influenced by the activities of the company with regard to its policies, products and manufacturing processes. Stakeholders include shareholders, employees, customers, suppliers, institutions, the environment, local community, banks, academic and educational world.

Employees

Florim has undertaken the following commitments in its relationships with its employees:

- to ensure equal opportunity, fair compensation, and professional development
- to recognize its human resources based on transparent, merit-based criteria
- to ensure safe work spaces and work processes
- to ensure transparency and clarity in the contractual conditions
- to ensure open communication and exchange within the company

Suppliers

An essential factor for obtaining SA8000 certification (see page 32) is finding suppliers that have earned quality, environmental, and health and safety certification of their workers and social responsibility. This is why, Florim periodically requires its suppliers to complete and submit a questionnaire which will be followed by issue of a point score which the supplier will be assessed against.

Environment

Florim has undertaken the following commitments in its environmental management:

- to continuously improve the environmental performance of products and processes
- to research, develop, and use the most sustainable technologies

Community and Institutions

Florim's commitments in its relationships with the community at large and local institutions include:

- guaranteeing dialogue, cooperation and transparency
- restoring value to the communities involved in the geographical areas where Florim does business
- contributing economically to the local athletic and sports initiatives for children and teens

Customers

In dealing with its customers, Florim undertakes to:

- to build a relationship of trust that provides stability to its interactions
- to ensure the reliability of its products and develop customer services
- to supply a diversified product offer with value added services
- to guarantee clarity in the contracts and in the billing process



Casamood – Contractworld 2006 booth (Hannover - Germany)

PART TWO – ACTIVITIES AND RESULTS TOWARD SUSTAINABILITY

Florim's Responsibility and Sustainability in 2010 Summary

Economic profile

Finfloor consolidated figures (amounts in Euro)	2008	2009	2010
Net revenue	330,637,000	259,675,000	273,822,000
Net income (EBITDA)	23,923,000	35,798,000	41,835,000
Earnings from operations	3,492,000	15,324,000	20,434,000
Gross Cash Flow	16,300,000	24,400,000	40,064,000
After tax earnings	(8,128,000)	3,445,000	14,790,000
Net debt	(215,270,000)	(192,840,000)	(166,640,000)
Net shareholders' equity	115,919,000	129,123,000	144,181,000
Total investments	21,580,000	13,602,000	30,874,000

Environmental profile*

	2008	2009	2010
CO ₂ emissions	135,000 t	74,000 t	86,610 t
CO ₂ emissions (t) / finished product (t)	0.33	0.29	0.31
Waste products	38,342 t	37,470 t	30,644 t
Recycling and reuse of the waste	98.6%	99.2%	99.1%
Total water used (m ³) / finished product (t)	0.71	0.88	0.80
Recycled water percentage	100%	100%	100%
Self generated energy compared to need	23%	16%	22%
Investments for environmental management	1,558,000 €	2,221,000 €	2,426,000 €

Social profile*

	2008	2009	2010
Number of employees at December, 31st	1,310	1,234	1,151
Total number of training hours	11,532	8,843.5	11,309
Number of hours of training on environment and safety issue	3,367	5,236.5	3,011.5
Number of workplace accidents	121	77	78

* Environmental and social figures refer to Florim Italy. For the same information in relation to Florim USA, see the designated section.



Floor Gres – Pool of a hotel (Forte dei Marmi, LU - Italy)

Economic Responsibility

Comments on the business figures in 2010

In 2010, despite the continued critical performance of the industry, Florim ended the year with very positive results, confirming the soundness of the strategic choices put in place by the Company.

Florim ended the year 2010 with more than 270 million euro in revenue, growing 5.3% compared to 2009, with gross cash flow of 40 million euro (compared to the Euro 24.4 million in 2009) and consolidated net income of 15 million euro compared to the 3.4 million euro last year. The EBITDA also increased from 36 million euro to 42 million euro and accounted for 15.3% of revenue in 2010, compared to the 13.8% in 2009.

Despite the 30 million euro invested in 2010 to upgrade the plant and innovate the products, the Net Financial Position reported an improvement of 26 million euro, partly due to the decrease in inventory and partly due to the liquid cash flow generated by operations.

The contribution of the American Florim USA, located in Tennessee with a production facility and in Georgia with a logistics hub, was vital to the results.

Investments

Most of the more than 40 million euro invested by Florim in the two year period in 2009/2010 was spent restructuring the grinding and spraying department at the Via Canaletto factory, where the company installed a cogeneration plant, several machines for the digital decoration of the products, a double channel kiln, and new cutting and polishing lines.

In the two year period of 2011/2012, Florim is planning to make investments for another 40 million euro, to:

- install the new PH 10000 press produced by Sacmi in the factory in Via Canaletto in Fiorano (this machine is the most powerful of its kind on the market)
- refurbish an area of 35,000 square meters primarily of old industrial buildings to use as a warehouse and showroom as well as an area to greet customers and architects
- install more than 16,000 square meters of solar energy panels
- insert additional machinery on the production lines for digital decoration of the ceramic products
- build a new cutting and polishing lines.



Floor Gres - Opera 02 project (Levizzano, MO - Italy)

The Value Added

The economic part of the financial statements is comprised of two schedules which demonstrate:

1. the measurement of the yearly Value Added (which measures the wealth produced by the company)
2. its distribution among the most immediately affected stakeholders.

Measurement of the Value Added

This section of the financial statements aims to offer a snapshot of the values of the economic effects produced by company business. Therefore, the result is a representation of the wealth produced, centered on the formation of Value Added, which is perceived as the ability to create resources to distribute to the stakeholders interested in company activities.

The schedule shows the following levels:

- **Characteristic Gross Value Added (GVA)**, which is obtained by the difference between the production and the intermediate costs of production:
 - *the global value of production* is found by totaling the values of the proceeds obtained from the ordinary activities of the company
 - *intermediate costs* are the costs that do not represent remuneration of the internal stakeholders, such as raw material consumption, costs designated for services, and other charges
- **Global Gross Value Added** which is the result of adding ancillary and extraordinary components to the characteristic Gross Value Added :
 - *ancillary components* (accessory charges and income) refer to wealth management and financial assets
 - *extraordinary components* (extraordinary charges and income) arise as a result of casual events that are unrelated to ordinary activity, for example, capital gains and losses, out of period gains and losses.

Schedule of how the Value Added measurement was reached

(Florim Ceramiche and Casa dolce casa)

	2008	2009	2010
Revenue from sales and services	290,775,728	211,636,425	217,334,115
Other revenue	3,741,085	4,428,832	3,406,349
Change in inventories of products and semi-finished goods	6,127,287	(15,687,343)	(6,494,452)
Total value of production	300,644,100	200,377,914	214,246,012
Raw materials costs	82,902,277	45,746,312	54,800,407
Change in raw materials and ancillary materials inventories	(4,853,744)	3,900,403	1,020,689
Costs of services	112,162,053	61,286,184	65,214,748
Costs of outsourced services	3,961,044	3,169,410	3,215,023
Other operating expenses	3,798,982	2,904,393	3,869,990
Intermediate costs of production	197,970,612	117,006,702	128,120,857
Characteristic Gross Value Added	102,673,488	83,371,212	86,125,156
Accessory charges and income	8,727,785	290,513	3,718,253
Extraordinary charges and income	(113,329)	11,995	(1,239,884)
Extraordinary and accessory components	8,614,456	302,508	2,478,369
Total Gross Value Added	111,287,944	83,673,720	88,603,525

Distribution of the Value Added

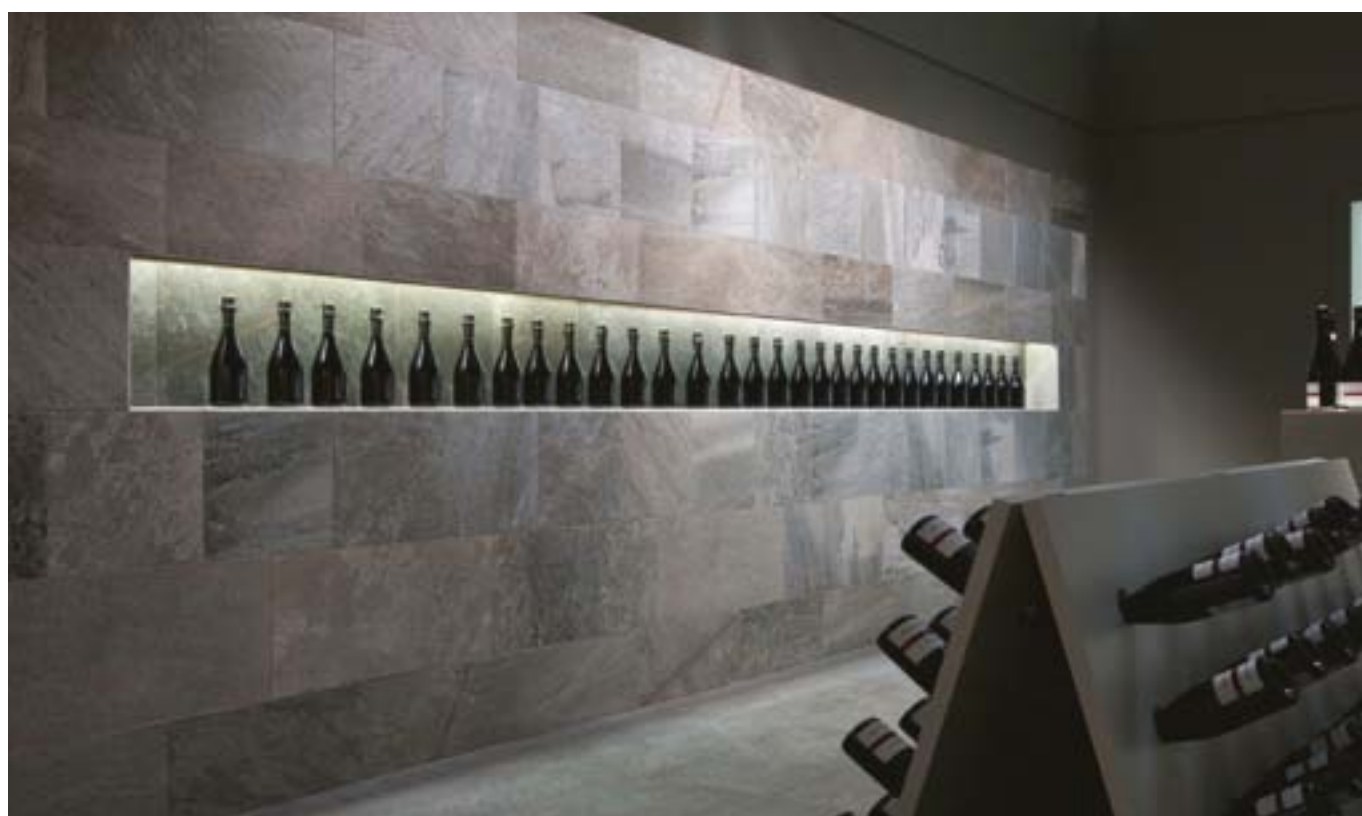
To be able to report on the wealth produced, a schedule is used to show its distribution between those that have received benefit:

- a) **Employees and other associates of the company**
Wages and salaries, social, pensions and insurance costs, post-employment benefits, leaving indemnities and other immaterial costs.
- b) **Company**
Undistributed profits, provisions, amortization, depreciation and write downs.
- c) **Capital suppliers of explicit interest**
Interest charges and other financial costs and charges arising from payables to parent and associated companies, payables to banks and credit institutions, and payables related to other commitments.
- d) **Government**
The economic benefit acquired by the government (in the form of direct taxation).
- e) **Stockholders**
The total amount of dividends paid.

Schedule of how the Value Added was distributed

(Florim Ceramiche and Casa dolce casa)

	2008	%	2009	%	2010	%
Employees and other associates of the company	75,593,167	68%	55,561,964	66%	56,256,556	64%
Company	17,431,020	16%	15,291,803	19%	19,834,032	22%
Suppliers of capital with explicit interest	13,301,266	12%	8,511,540	10%	6,577,505	7%
Government	4,962,491	4%	4,308,413	5%	3,940,433	5%
Stockholders	0	0%	0	0%	1,995,000	2%
Total gross value added	111,287,944	100%	83,673,720	100%	88,603,525	100%



Floor Gres – Booth at Cersaie 2010 (Bologna - Italy)



Environmental responsibility

Florim's system certifications

UNI EN ISO 14001

At December 2010, Florim obtained the prestigious, wholly voluntary UNI EN ISO 14001 certification, issued by TÜV. This certification attests to the company's conformity to a set of standardized, international procedures that aim to improve the company's internal environmental management system. Florim sought to obtain this recognition in order to reconcile quality with efficiency and productivity, while respecting the environment and the area where the company works.

Environmental product certifications

Ecolabel



Ecolabel (CE Regulation 66/2010) is an important certification that is granted to products which respect European ecological and performance criteria throughout every stage of the lifecycle. The certification spans extracting the raw materials, selecting suppliers, monitoring the manufacturing processes, packaging, distribution, use and disposal. These criteria, which differ from product family to product family, are periodically submitted to review to make them more restrictive, thereby improving the continuous improvement in environmental quality.

A major objective reached by Florim was to achieve the Ecolabel recognition, among others, on its **thin porcelain tile** series: Stontech Slim/4 (Floor Gres), Abisko Slim/4 (Rex) and Pietre Slim/4 (Casa dolce casa).

Recycled content

A number of the ceramic tile series bearing the Florim brand have earned certification from Bureau Veritas for the high content of pre-consumption recycled material. These articles are fully eco-compatible and can meet the environmental sustainability requirements imposed by many international certifications.

LEED regulation (Leadership in Energy and Environmental Design)



Florim is registered with the **U.S. Green Building Council (USGBC)**, the leading association of building segment industries in the United States, which was formed to promote methods of design and construction that can lead to a significant decrease or elimination of the negative impact caused by buildings on the environment.

To enable real measurement and accurate monitoring of the degree of sustainability reached by a project, the USGBC developed certification for designing sustainable buildings known as the **LEED Green Building Rating System**.



LEED is one of the most recognized names in the American building industry and its certification is used in many international areas to verify and certify the sustainability of a building in its entirety, from the design phase to its day to day management (this is not product certification).

The method of certification entails assigning a point score to the building based on its conformity to a diverse number of metrics, which include the following:

- design in sustainable construction areas
- protection of the water resources
- energy efficiency and use of renewable energy sources
- stocking, composition, and origin of construction materials and raw materials
- quality of life in the interior settings
- design innovation

As illustrated below, Florim tiles, as part of the system which constitutes the building, can help the building and the builder obtain LEED points in a number of areas.

Materials and resources

LEED certification rewards the use of construction materials that have a significant percentage of pre-consumption recycled materials (on average, from 20% and up). The Florim series with high recycled content allow the building to earn up to **2 LEED credits** in this category (MR 4.1 and MR 4.2).

Low-emission materials

According to the requirements established by the LEED certification, the finishes used in a building must attempt to reduce to the lowest possible level the amount of contaminants in the air inside the building that are malodorous, irritating, and hazardous for the comfort and wellness of the installers and occupants.

Florim tiles feature substantially zero levels of VOC (Volatile Organic Compound) and therefore, do not release any contaminants into the air. Florim products also allow the building to obtain **one LEED credit** in this category (EQ 4.2).

Urban heat island

All surfaces, especially dark colored ones, absorb solar heat and release it back into the environment in the form of heat, with the resulting rise in the surrounding air temperatures. This is known in vernacular as an “urban heat island”. In view of these premises, it is clear how the nature and color of the materials used to construct a building can influence this polluting effect.

The LEED certification requires use of materials for flooring and outdoor tiles that have a Solar Reflectance Index (SRI) equal to at least 29, to reduce to a minimum the effect of the “urban heat island” and minimize the impact of a construction on the surrounding microclimate. Pale ceramic tiles have a Solar Reflectance Index much higher than 29 and this is why they significantly reduce the urban heat island effect, allowing builders to obtain **one LEED credit** in this category (SS 7.1).

Innovation in design

Certification awards **up to 5 credits** (category ID 1) to all the materials that provide high level performance with reference to the LEED requirements or which guarantee innovative services in all areas identified by the Green Building Council.

All Florim ceramic tiles that contain a percentage of **pre-consumer recycled material greater than 40%** of their weight fall in this category. Also in this category is the entire series of tiles that bear the **Ecolabel branding**.

Waste management

Florim handles waste management in all its production facilities according to the methods set forth by the national regulatory standards. All waste products at Florim are handled through a computer controlled system.

Florim adopts a management system that includes reuse of the waste produced in the production processes and sending them to designated storage areas.

Waste produced in Florim’s production facilities can be split into:

- *reusable waste originating from the production cycle*, including fired and unfired tile scraps, dust from disposal of the filters that limit atmospheric emissions, sludge from the processing water, and waste produced in the polishing process.
- *reusable waste for other purposes* (not related to the production cycle), such as scraps of plastic, wood, paper and cardboard, steel and iron
- *hazardous waste to be collected, processed and disposed of*, such as spent oil and grease, lime waste originating from removal of the firing process smoke
- *non-hazardous and non-reusable waste*, such as any waste that can be assimilated with urban waste.

Waste 2010

	2008	2009	2010
Total waste produced (t)	38,342	37,470	30,644
Total reusable waste (%)	98.6	99.2	99.1
Total non-hazardous waste (%)	99.1	99.4	99.1
Total waste produced (t) / Finished product (t)	0.09	0.15	0.11

Water resources

Environmental impact related to **water drainage** is completely **absent**, since water used in the production cycle is completely reused. All other drainage points comply fully with legal requirements.

Water use	2008	2009	2010
Total water used (m ³) / Finished product (t)	0.71	0.88	0.80

Total quantity of cubic meters of water used per ton of finished product.

The water used in the production process is drawn from private, company-owned wells, while the water from the public water supply is used only for civil purposes.

Energy

In the ceramics industry, the energy necessary to operate the production systems is quite intensive and has a direct and indirect impact on the local area and the environment.

The main parameter used to measure the energy needs of the systems is the specific total average consumption of energy (TEJ) which is measured in GJ/ton of finished product in the warehouse. As you can see from the table below, this use is given by the total heat consumption (NGJ) and electricity used (EEJ).

Parameter - Definition	Unit of measurement	2008	2009	2010
Specific average consumption of natural gas with reference to the total amount of finished product sent to the warehouse.	GJ/t	5.57	4.90	5.24
Specific average consumption of electricity with reference to the total amount of finished product brought to the warehouse.	GJ/t	1.08	1.23	1.11
Specific average consumption of total energy with reference to the total amount of finished product sent to the warehouse.	GJ/t	6.65	6.13	6.35
Self-generated energy as compared to need	%	23	16	22

In 2010, Florim completed its purchase of an electricity co-generation plant which became operational in February 2011 at the Via Canaletto facility in Fiorano, where Florim manufactures 70% of its total production. This new system will provide 60% of the total energy needs of the factory. This percentage will increase to 85% when Florim has completed installation of a solar energy generation system in the same area, planned to measure 16,000 square meters.

Polluting emissions

Greenhouse gas emissions

The industrial production facility releases greenhouse gases into the atmosphere, essentially made up of carbon dioxide (CO₂), whose main sources can be split into:

- *sources of combustion*, from the burning of fossil fuels (such as methane gas)
- *processing sources*, caused by minerals contained in raw materials, from organic material contained in the clay used in making the tiles, from the presence of organic additives in the paste.

CO₂ emissions

	2008	2009	2010
CO ₂ emissions (t)	135,000	74,000	86,610
CO ₂ emissions (t) / Finished product (t)	0.33	0.29	0.31

Emissions from the production cycle

	2008	2009	2010	BAM parameter
Particulate material	3.21	2.97	4.45	≤ 7.5
Lead	0.01	0.01	0.01	≤ 0.05
Fluoride	0.21	0.11	0.12	≤ 0.6

(emissions factor: g/m²) – BAM Reference – Best Available Method (D.Lgs. 128/10)

Forklifts

In terms of environmental responsibility, it is useful to note that the fleet of Florim forklifts includes 81 diesel-fueled vehicles and 26 electrical-powered vehicles. Approximately 32% of the forklifts used in the company do not emit any form of direct greenhouse gasses. All the diesel powered forklifts have catalytic converters.



Florim – Coverings 2007 Stand (Orlando, Florida - USA)

Social responsibility

Florim and the social and economic crisis

The actions taken to respond to the economic crisis which has struck the ceramics industry over the past two years have always been taken with the consulting of labor union representatives, which have taken advantage of:

- more than forty million euro allocated in the two years 2009/2010 for restructuring its production systems ;
- use of the extraordinary and ordinary wage guarantee fund for laid off employees;
- use of employee solidarity contracts
- training projects designed to achieve professional growth and development of the employees.

Florim management solidarity to laid-off workers

In February 2009, all 23 executive level employees at Florim made the decision to devolve 10% of their salaries to a solidarity fund through an Association specifically set up for this purpose. The proceeds from this fund were designated to help employees most significantly affected by the layoff. The plan, supported and promoted by the company which has pledged to supplement the resources of the fund thereby bringing it up to a total amount of 500 thousand euro, has included disbursements on a quarterly basis to Florim employees who have spent at least 60% of their monthly working hours on layoff status.

This initiative, the only one of its kind in the ceramics industry, has allowed the company to provide real support to a large number of employees and this is why it has continued throughout 2010 and will continue into 2011.

	2009	2010
Total employees who have benefited from at least one payment	649	485
Total funds distributed	€ 185,518	€ 90,828

Our employees

Composition of the staff

(Florim Ceramiche, Finfloor and Casa dolce casa)

	Qualification																	
	Executive-level			Middle management			Administrative employees			Equivalentents			Line worker			Total		
Year	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Women	1	0	0	3	3	3	161	154	149	22	22	19	310	302	279	497	481	450
Men	30	22	22	31	31	28	171	144	129	85	82	79	496	474	443	813	753	701
Total	31	22	22	34	34	31	332	298	278	107	104	98	806	776	722	1,310	1,234	1,151

In the course of 2010, the Florim staff has decreased by approximately 6.7%. The gradual decrease in the staff in 2008-2010, which continued to report a poor market situation, was due to a block in the turnover put in place by the company.

Employment of persons with physical disabilities

(Florim Ceramiche and Casa dolce casa)

Qualification	Women			Men		
	2008	2009	2010	2008	2009	2010
Production line worker	7	5	4	19	17	15
Equivalent	0	0	0	0	0	1
Administrative employee	0	0	0	1	3	3
Total physically disabled	7	5	4	20	20	19

Equal opportunity

The distribution between men and women, taking into consideration the responsibilities dictated by the type of asset, reflecting the average of the sector.

A total of 39 foreign employees work at the company, 34 of which are employed by Florim and 5 are employed by Casa dolce casa.

Incentives and bonuses

Since 1992, as the first company in the ceramics industry, Florim drew up an internal contract (which was extremely innovative for its time) that included a variable annual bonus awarded to the workers in the industrial area and that was related to a number of economic and quality indicators (EBITDA, returns of high quality, waste, productivity).

The areas being discussed with the employee concern not only the strictly economic side, but also the continuous improvements to safety and the quality of the work, and the competitiveness and productivity of the company system (achieved through continuous professional training actions). As regards the management of the commercial network, distribution of year-end bonuses follows different procedures that assess the objectives reached compared to objectives expected, as regards turnover and as regards average prices. These procedures are implemented to foster teamwork and motivate all the members.

Health and safety

BS OHSAS 18001

In December 2010, Florim Ceramiche obtained from TÜV the BS OHSAS 18001 certification (Occupational Health & Safety Assessment Series), international reference for certification of management systems that place an emphasis on health and safety in the work place. Florim is **the first Italian ceramics company** to obtain this important recognition which bears out Florim's constant commitment to its employees.

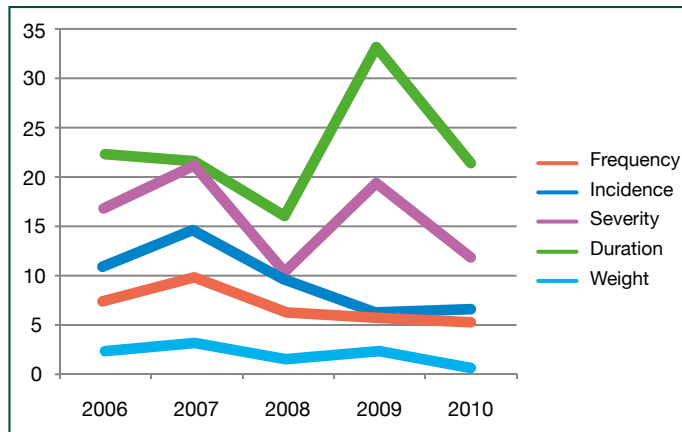
Total accident statistics

(Florim Ceramiche and Casa dolce casa)

GLOBAL						
Year	Number of accidents	Frequency	Incidence	Severity	Duration	Weight
2006	124	7.54	10.78	16.76	22.24	2.40
2007	166	9.84	14.57	21.23	21.58	3.15
2008	121	6.46	9.66	10.37	16.07	1.55
2009	77	5.80	6.47	19.23	33.16	2.15
2010	78	5.52	6.53	12.21	22.10	1.44

Accident history

(Florim Ceramiche and Casa dolce casa)



Legend

- Frequency: relationship between the number of accidents and the hours worked
- Incidence: relationship between the number of accidents and the average number of workers
- Severity: relationship between the number of actual days of absence from work and the hours worked
- Duration: relationship between the actual days of absence from work and the number of accidents
- Weight: relationship between the actual days of absence from work and the average number of workers

Defibrillators

With a view to protecting the health and safety of its employees, Florim made the decision to purchase two next-generation defibrillators which will be made available to the 14 members of its in-house emergency services team, appropriately trained through training courses held in connection with the New Municipal Hospital in Sassuolo. The installation of these devices will further increase the safety and security equipment and will bring greater rapidity and efficiency in the emergency procedures.

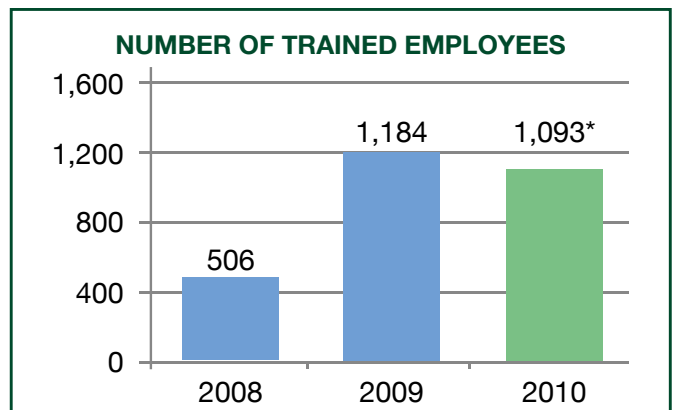
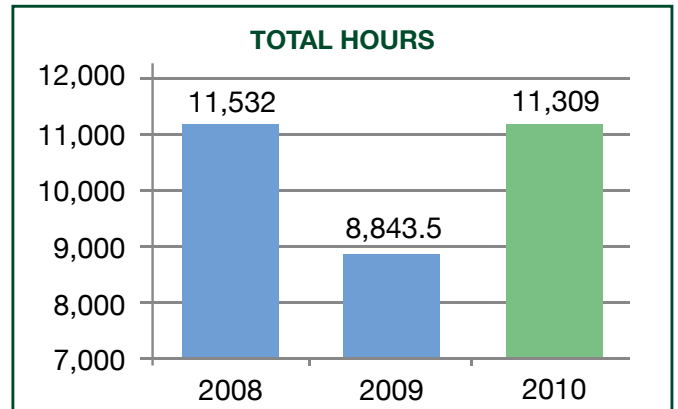


The staff of the Sassuolo hospital during a training session: Dr. Marcella Camellini and, from left to right, Armando Francesconi, nurse, and Dr. Francesco Stagni.

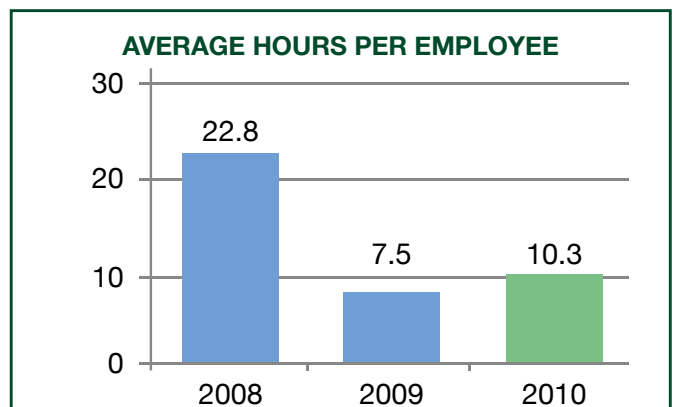
Training

The training programs are addressed to meet company needs and primarily focus on three areas: new training for personnel pursuant to technological upgrades in the plants, training for regulatory changes, and training for new hires.

The percentage of training hours compared with worked hours, equal to 0.79%, reported an increase compared to a year ago (2009), when the percentage was 0.62%.



* di cui 421 donne e 672 uomini



Training 2010 – Detail on the types of courses and designated divisions

TRAINING COURSES 2010		
TYPE OF COURSE	HOURS	%
RETRAINING	4,622.5	41
SAFETY PREPAREDNESS	3,011.5	26
TECHNICAL TRAINING FOR THE JOB	1,823.5	16
SALES COMMUNICATION AND TECHNIQUES	912.5	8
NEW HIRES and CHANGES IN RESPONSIBILITY	674.5	6
LANGUAGES	184.5	2
COMPUTER and IT	80	1
TOTAL	11,309	100

TRAINING COURSES 2010			
DESIGNATED DIVISION	TOTAL HOURS PER AREA	PERSONNEL PER AREA	% PERSONNEL
PRODUCTION	6,957.5	685	63
SALES	2,254	161	15
LABORATORY	642.5	48	4
LOGISTICS	341.5	152	14
MARKETING	330.5	15	1
CENTRAL OFFICES	183	32	3
TOTAL	11,309	1,093	100

External retraining courses

From February to November 2010, 90 volunteers from the Mordano factory were involved in training courses designed for external retraining.

The plan was developed with the support of labor union organizations and was approved by the Province of Bologna; it was split into 8 different training courses to develop the skills of the workers in a number of areas: logistics and warehouse, multimedia graphics, general maintenance, sales and marketing, technical drawing, administration and catering.



Social relationships with employees and suppliers – SA 8000

In 2010, Florim began to extend its organizational system by incorporating and integrating additional aspects of social responsibility, in compliance with the SA 8000 international standards.

SA 8000 certification is based on the conventions of the ILO (International Labor Organization) and is designed for companies that want to ensure the market and the community that their products are made while respecting various requirements, in particular, as regards the framework of the rights of workers (child labor, coercion, freedom of association, discrimination, compensation, etc).

Home to work transportation Commission

In 2010, Florim joined a number of other local companies, industry associations and the Municipality of Fiorano Modenese in participating in the “Home to Work Transportation Commission”, which set the objective of identifying methods of sustainable transportation to make available to workers for the trip between their homes and their workplace.

To come up with realistic and appealing actions, the Commission has surveyed and mapped the workers potentially involved, splitting them up according to contract type and grouping them back together by area of residence. After a quantitative analysis, the Commission moved on to survey participants on how they travel to and from work using pre-prepared questionnaires.

The agreement signed in November 2010 includes two possible scenarios for intervention that will be implemented in the first six months of 2011:

- **a new public transportation line** that will link the industrial area of Spezzano with the outlying municipalities, with times, costs and schedules that are compatible with those indicated by the workers;
- **a Car Pooling service** administered over the internet that will allow workers to share a ride to work with colleagues that have the same work schedule.

These actions will be set up experimentally and will be monitored by the Commission for the upcoming three years.



Florim Ceramiche – Via Canaletto factory (Fiorano Modenese, MO - Italy)

Modena business club for Corporate Social Responsibility

The Modena business club for Corporate Social Responsibility is a non-profit, all volunteer association that was founded in 2009 with the objectives of:

- facilitating opportunities for dialogue and exchange of knowledge, skills and experience on social responsibility projects realized and to realize;
- define projects to carry out as individual companies and in partnerships;
- spread the company culture, marked by the CSR (Corporate Social Responsibility)

The initiative was created by *Focus Lab* in conjunction with the Municipality of Modena, in association with Emil Banca and with the support of the Province of Modena.

Among the many associated companies, in addition to Florim, are some of the most prestigious companies in the province including Tetrapak, Gruppo Hera, Caprari, CMS, Gruppo Concorde, Angelo Po and many others.

Initiatives with the world of academia and universities

Milan Polytechnic

Since the academic year 2005/2006, Florim has been an official sponsor of a number of the Poli. Design Higher Education Courses, the consortium of the Milan Polytechnic which administers post-graduate Master's degrees.

In particular, the master's courses are the following:

- New Entertainment Design (design of spaces for entertainment)
- Food Experience Design (design and interior design of retail sales of food products)
- Pizza Experience Design (design of restaurants and food service outlets)
- Outdoor Experience Design (design of outdoor areas)
- Bathroom & SPA Design (design of wellness centers and public restrooms)
- Hotel Experience Design (hotel design)

The sponsorship consists of a number of scholarships to award to merit-worthy students. The quality of the curriculum, the study program and a number of individual interviews are the parameters used to select the actual candidates. As much as possible, Poli.Design attempts to cover the cost of enrolment by providing a generous number of scholarships (compatible with sponsor donations).



Florim Ceramiche – Booth at Cersaie 2010 (Bologna - Italy)

Lucchese Award

The Lucchese Award has reached its **twenty-third edition** in 2010. Instituted in the memory of engineer Giovanni Lucchese, a progressive-thinking personality in the area of technological research in the ceramics industry and father of the current president of Florim, Claudio Lucchese, the award is comprised of a number of scholarships to students of the Alessandro Volta state technical institute in Sassuolo, who have earned their high school diploma with the highest scores.

The Award is organized by Florim Ceramiche in conjunction with the Italian Ceramic Society of Bologna and every year it hosts illustrious speakers who tackle the day's contemporary issues, meeting a group of interested and curious young people. The relationship between academics and entrepreneurship, sustainable development and the importance of the relationship between man and his environment are only a few of the issues explored in the course of past editions with lecturers of the caliber of Andrea Parlangei (writer and scientific popularist), Alberto Angela (television personality and writer), and Armin Linke (photographer and artist).

After the success in 2009, the host and moderator for the day was Leo Turrini again this year. "The strength of creativity and the value of friendships" was the title of the 2010 edition. Creativity perceived as the ability and desire to break out of traditional confines, innovating the context in which it operates with the thrust of its own ideas. Friendship as a fundamental support: in the age of globalization, the need to form groups has grown and developed into an added value for those who understand how to establish and solidify the quality of human relationships, including on the workplace. In the perspective illustrated by Leo Turrini, symbol of this combination between creativity and friendship was a great 20th century Italian artist, Lucio Battisti, whose lyrics and music provided the hymns for an entire generation. Turrini related the story of this great interpreter of Italian music, with a live accompaniment that borrowed the most beautiful songs by Battisti, along with his great friend Mogol, in the name of extraordinary creativity.

The award winners in 2010 were Luca Bondi (average score of 9.5; high school of science and technology), Elia Berselli (average score of 8.75; high school of science and technology), Mattia Righi (average score of 8.75; high school of science and technology), Manuel Ciamaroni (average score of 9.36; electronics and technology major), Davide Stefani (average score of 8.92; high school of science and technology) and Roberto Caprara (average score of 8.42; high school of science and technology).



From left to right, in addition to the 5 award winners are Paolo Zannini (President of the Italian Ceramic Society), Gisella Lucchese (wife of Giovanni Lucchese and mother of Claudio), Claudio Lucchese (President of Florim Ceramiche Spa) with his son Alberto, Leo Turrini (journalist and writer), Alessandra Borghi (Principal of I.T.I.S. "A. Volta").

Quality system

OBJECTIVE	INDICATOR	2008	2009	2010
Refining the control of the production process	First Quality Returned Products	92.0	92.5	91.6
	Index of Quality	87.3	87.6	86.8
	Waste	5.1	5.3	5.3
	Productivity	11.0	11.1	11.5
Improvements in sales performance and customer satisfaction	Index of innovation	16.7	19.7	31.3
	Coverage	84.9	89.7	82.5
	Total portfolio to spend in a month	94.5	95.8	93.4
Optimization of the line and of the warehouses	Obsolete merchandise	14.7	16.8	20.3
	Rotation index	1.5	1.2	1.1
Gradual elimination of the disputes, claims, and complaints related to the service	Actual square meters in dispute	0.26	0.37	0.55
		(reported 1.3)	(reported 1.58)	(reported 1.99)
	Claims per number of lines of the order	1.34	1.23	1.06
Progressive improvement in the abilities of the personnel	Personnel turnover index	0.5	1.3	0.7

Key

First Quality Returned Products

Percentage relationship between square meters of top quality tile and the total square meters of tiles sent to the warehouse.

Quality index

Percentage relationship between square meters of top quality tile set to the warehouse and the square meters pressed.

Waste

Percentage difference between square meters pressed and square meters of product actually sent to the warehouse.

Productivity

Relationship between the square meters of product actually sent to the warehouse and the total hours worked in the factory.

Innovation index

Relationship between the square meters invoiced belonging to a series designed in the past three years and the total square meters invoiced. With this system, Florim will see how effective the design process is in relation to sales.

Coverage

Percentage relationship between the square meters of product ready to ship and square meters inserted in the order.

Total order portfolio to ship in a month

Percentage relationship between the square meters ready to ship in thirty days and the square meters inserted in the order

Obsolete product warehouse

Percentage relationship between the square meters of second choice tiles / non series products and total square meters in the warehouse.

Rotation index

Relationship between square meters sold and square meters in the warehouse.

Actual square meters disputed

Percentage relationship between actual square meters and square meters sold.

Claims per number of order lines

Percentage relationship between the number of claims and the number of order lines

Personnel turnover index

Percentage relationship between the number of employees leaving the company which were then replaced and the staff at the beginning of the year.



PART THREE – THE NEXT COMMITMENTS

Economic responsibility

- The key objective for 2011 is to maintain a sustainable financial and economic situation despite the continuing crisis in the ceramics industry and the building market.
- For the 2011, Florim expects to continue to use extraordinary wage guarantee program thanks to the funds of the Florim Management Solidarity Association..

Environmental responsibility

In 2011, Florim has laid plans to:

- further reduce the impact of its production emissions and waste
- increase its energy self-sufficiency thanks to installation of an electricity co-generation system thanks to the installation of an electrical energy system in the factory of Via Canaletto in Fiorano
- replace the roof atop the factory in Via Canaletto that will be set up as a warehouse, sample area and showroom for greeting customers and architects, which will have a 16,000 square meter solar panel system. The old roof made with amiantus dated to the 1960s
- reduce its use of natural gas, by recapturing the thermal energy produced in the firing process
- commence cooperative relationships with universities and research bodies for the creation of increasingly ecologically sustainable products

Social responsibility

- Continue the path toward preparing “social certification” according to SA 8000 standards
- Furnish the Mordano factory with defibrillators and also start up the necessary training courses to train the in-house emergency services team
- Continue the economic support commitments in social, cultural and training projects with a diversity of stakeholders on the territory
- Improve and update its Code of Ethics, to meet the constantly changing needs of all its stakeholders.



Floor Gres – “Geotech” series



Rex – "I Marmi" and "Le Essenze" series

PART FOUR - FLORIM USA

Profile

Florim acquired Florim USA in 2000. The company is located in Clarksville, in Tennessee. In a production facility that is one of the largest and most technologically advanced in the United States, Florim makes ceramic materials intended mainly for the United States market. The mission of Florim USA is to always be on the cutting edge with process and product innovation, to meet the needs of a changing market as best as possible.

Economic Responsibility

Florim USA and subsidiaries (amounts in USD)	2008	2009	2010
Net revenue	68,859,760	70,094,422	77,911,366
Net income (EBITDA)	(6,603,918)	10,240,445	15,866,420
Risultato operativo	(12,402,519)	4,154,185	10,600,651
Gross Cash Flow After-tax earnings	(13,393,248)	1,776,391	11,389,695
Net debt	(406,395)	1,286,332	2,696,211
Net shareholders' equity	11,999,115	45,013,123	56,402,818

Florim USA succeeded in maximizing the competitive advances offered to manufacturers resident in the United States and has gained a reputation on the market for the continuity of the service and the quality offered. Especially important figures shown in the table represent the new profitability that the American subsidiary has been able to achieve in the past two years.

Environmental Responsibility

Florim USA espouses the Florim environmental policy and is committed to reaching the following objectives:

- a decrease in energy consumption of the production processes
- improvement in the waste management processes and their recovery and reuse
- introduction of new, more eco-efficient technologies
- implementation of integrated management systems

The United States factory, just as in the Italian production facilities, has adopted an approach toward continuous improvement, with management procedures that reduce the environmental impact along the various stages of the lifecycle of the products, based on the environmental standards and using the best techniques available.

Florim USA is also evaluating the opportunity of investing in a plant to collect and reuse rainwater, in order to minimize the use of the water collected from the municipal network.

Environmental management system and eco-compatible products

Florim USA makes tiles that help builders obtain the points necessary to satisfy the requirements of the certification system for sustainable buildings defined by the USGBC (United States Green Building Council) through the LEED Green Building Rating System, one of the most widely used in the US construction industry. This protocol evaluates and certifies the environmental sustainability of a building as a unit, from its design to its day to day management (for more information, see page 23). In particular, several series by Florim USA (Antelope Canyon, Brushstone, Camelot, Mesa, Ocoee, Corfinio, Cumberland Plateau, iStone, Stonefire, Tundra, Wish, Woodlands and Urban Landscape) contain a significant percentage as a proportion of their weight of recycled, pre-consumer material (from 20 to 40% and more). This feature helps to raise the LEED score in the projects where these tiles are used.

Environmental performance indicators - Summary

Below are the main environmental indicators related to the impact and performance of Florim USA during 2010.

Materials recycling

Post- consumer recycled materials

This refers to vitreous products originating from recycling in the county of Clarksville

	2009	2010
Post- consumer recycled materials (kg)	261,363	59,709

Pre-consumer recycled materials

approximately 45% of the mass of most of the Florim USA products consists in waste generated by the company (fired and unfired tiles, glazing waste, etc.) and secondary products acquired externally which, if not recycled, would be disposed with solid urban waste.

Energy consumption

	2009	2010
Gas (cubic feet)	618,752,600	638,436,900
Electricity (KwH)	39,129,600	42,134,400

Water consumption

Water drawn from the municipal water network

	2009	2010
Water consumption (gallons)	15,735,100	17,916,000

Disposal and reuse of water

Water is not drained and disposed of, as the water used in production is fully recycled back into the process.

Emissions

The figures on emissions were completely similar to 2009 figures:

TSP (Total Suspended Particulates) – 95 tons per year

SO₂ (Sulphur dioxide) – 106 tons per year

VOC (Volatile Organic Compounds) – 80 tons per year

NO_x (Nitrogen oxide) – 88 tons per year

Social Responsibility

Employees

Florim USA personnel, working in the production site in Clarksville and in the logistics center of Atlanta, is made up of 260 employees. The staff is split into 64 clerical workers and 195 line workers. In 2010, 36 employment relationships were terminated, accounting for 14.5% of total employment.

	2008	2009	2010
Human resources turnover	31.9%	20.6%	14.5%

The full time employees' benefits currently in effect at Florim USA include:

- insurance to cover medical and dental expense
- Vision Coverage (insurance coverage the employees can initiate to purchase discounted vision eyewear and for visits to the eye doctor)
- life insurance
- support for temporary and permanent disabilities
- 401K plan (a retirement plan)

Equal opportunity

Florim USA provides equal opportunity in all employment practices to all qualified employees and applicants without regard to race, color, religion, gender, national origin, age, disability, marital status or any other category protected by federal, state and local laws.



Florim USA (Clarksville, Tennessee - USA)

Health and safety

On the issue of safety, Florim USA is planning to set up a committee for health and safety which includes a number of figures working in the company. In the course of 2010, 46 accidents were reported which required medical attention or caused the temporary inability to work of those involved.

	2008	2009	2010
Number of occupational accidents	50	42	51

The Employee Assistance Program (EAP) also offers support to employees and their families in the event of psychological difficulty, substance dependency or other problems that can have a negative impact on their quality of life. Florim USA fully supports the costs of the program.

Training

Employees of Florim USA are involved on average in 2.5 hours of training per year.

The courses planned in 2010 involve a number of areas, including:

- use of forklifts
- safety
- training of new hires

Florim USA also offers its employees a tuition assistance plan whereby the company pays the cost of post-high school education of its employees (whether this is university credits or technical training).

Initiatives on the territory

Through 2010, Florim USA has continued to provide its support to a number of initiatives in its local area. Some of the main initiatives include:

- three scholarships at the Austin Peay State University, in memory of Giovanni Lucchese;
- participation in the United Way Drive initiative, to support local non-profit organizations which provide economic assistance and psychological support to persons in difficulty;
- support to the Red Cross, with blood drives on site and a cash gift;
- donation to the Austin Peay State University, on behalf of employees, of gently used books for children and young people;
- donation of materials to local churches and a number of non-profit organizations

Florim USA has also received two special recognitions: the first was from the "Homes for our Troops", for the contribution given to construction of homes designated to severely wounded veterans of the military; the second from the "United States Military", for the support provided to employees who have provided military service to the country.

Quality System

Florim USA works under a Quality System certified to UNI EN ISO 9001 standards. Below are some of the figures in brief.

OBJECTIVE	INDICATOR	2008	2009	2010
Fine-tuning the production process control procedure	First choice returns	93.4	93.4	93.5
	Quality index	87.3	86.7	87.4
	Waste	6.4	7.5	7

Legend

First choice returns

Percentage relationship between square meters of first choice tiles and total square meters sent to the warehouse.

Quality index

Percentage relationship between square meters of

first choice sent to the warehouse and square meters pressed.

Waste

Percentage difference between the square meters pressed and the square meters actually sent to the warehouse.



Evaluation sheet - Suggestions
Florim Sustainability Report – 2010

With a view to improving future editions of the Sustainability Report, we are asking for a few minutes of your time to provide your evaluations and any suggestions you might have after reading this third edition.

Category of stakeholder/reader of this report:

- | | | |
|--|--|--|
| <input type="radio"/> Client | <input type="radio"/> Employee | <input type="radio"/> Supplier |
| <input type="radio"/> Labor Union | <input type="radio"/> Volunteer organization | <input type="radio"/> Public institution |
| <input type="radio"/> Individual citizen | <input type="radio"/> Bank | <input type="radio"/> Media |
| <input type="radio"/> Training and education | <input type="radio"/> Others | |

Put an X in the box corresponding to your opinion of each of the following areas.

	Poor	Satisfactory	Good	Very good
Contents and writing				
Clarity of the structure of the sections				
Completeness of the information				
Legibility				
Graphics and layout				
Balance between texts, tables and images				
Overall appearance				
Commitments undertaken				
Economic responsibility				
Environmental responsibility				
Social responsibility				
Usefulness				
New understanding of Florim				
New understanding of the issues of Corporate Social Responsibility and Sustainability				

Areas in need of improvement / Suggestions

Please send us this questionnaire, completed in full, choosing one of the return methods below:

- by mail to the Florim Communications Office - via Canaletto, 24 - 41042 Fiorano Modenese (MO) - Italy
- by fax to +39 0536 840427
- web: www.florim.it/en/sustainability-report.asp

For more information on Florim and its products, visit the web site www.florim.it

GRI International Sustainability Indicators

The information below illustrates the correspondence between the Florim 2010 annual report and the international GRI guidelines, referring to the section of this document where it is possible to obtain more information on the topic. The list of indicators refers only to the part of the report related to Florim Italia.

Strategy and Analysis

- 1.1 Letter to stakeholders
- 1.2 Responsibility and Sustainability 2009 – Summary picture
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- EC1 Economic Responsibility
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Environmental performance indicators

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- LA2 – LA4 Social Responsibility
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Glossary

Sustainability Report. This is a tool for communication and dialogue with the company's stakeholders, which aims to provide information on the company profile and the economic, social and environmental performance of the company. Drafting this report is completely voluntary and is published in addition to the annual financial report.

Cash Flow. Cash flow represents a measure of the ability of a company to self-finance and can be calculated using the figures in the company's income statement.

Environmental certification of the Ecolabel product. Ecolabel is a tool, completely voluntary, that is awarded to products that respect ecological and performance criteria throughout their lifecycle, as established by the European Union. This includes during mining the raw materials, selecting suppliers, manufacturing processes, packaging, use, and disposal. Obtaining the trademark represents a certificate of excellence which is issued only to products that demonstrate very low environmental impact.

UNI EN ISO 14001 Environmental Process Certification. This is a certifiable standard that attests to the compliance of a number of environmental management procedures, as defined on an international level. Certification to ISO 14001 standards is a voluntary decision by the company, which intends to improve its environmental management system.

BS OHSAS 18001 Safety Standards Certification. The OHSAS (Occupational Health & Safety Assessment Series) 18001 standard is a benchmark recognized on an international level for certification of a system of management procedures geared toward the highest safety and health in the workplace.

Code of Ethics. Declaration of the principles and values that guide a company in its everyday operations: those who play a role in the company, regardless of the level, are required to comply with it.

Corporate Governance. Corporate Governance concerns a company's set of management and administration procedures, from the organization of its ownership to the structure and the methods of operation of the Board of Directors, as well as the relationships existing between the ownership, the Board of Directors and the managerial structure. In Italy, the most recent law on this issue is the Legislative Decree No. 231/2001.

GRI (Global Reporting Initiative). This is the body that draws up the guidelines on an international level for application of the principles and methods of supplementary sustainability reporting, in its economic, environmental and social dimensions.

LEED. The LEED (Leadership in Energy and Environmental Design) standards are parameters established to promote sustainable building, developed in the United States and applied in forty countries around the world. It is a system of evaluation of the buildings that assesses six categories: sustainability in the construction sites, efficiency in water resources management, energy balance, atmospheric emissions, selection and stocking materials and resources, quality of the internal areas, and design innovation.

Social and environmental reporting. This implies the responsibility to clarify and justify what the company is doing to demonstrate its declarations of principles and to comply with the commitments undertaken with stakeholders, in terms of economic impact and social and environmental impact (therefore, towards customers, employees, suppliers, the government, and the environment). There are many models of reporting: the GRI is the most authoritative and most complete.

Corporate Social Responsibility. The Corporate Social Responsibility (CSR) on a global level is defined in a general sense by the European Union as "Voluntary Integration by companies in the social and environmental concerns in commercial transactions, decision-making processes and in relationships with their stakeholders and other interested parties."

Sustainable Development. In 1987, the UN defined this expression as development that can meet the needs of current generations without undermining the rights of future generations. The concept refers to development models that aim for the greatest balance between the social, economic and environment dimensions with synergetic actions of technology, legislation, responsible conduct and actions, economic instruments and a participatory and collaborative role of companies, the civil society, and public institutions.

Stakeholders. These are groups of individuals whose interests are directly or indirectly involved in the company's operations and management, due to the potential positive or negative external effects of its business. Stakeholders can include employees, suppliers, local authorities, non-profit associations, the world of research, schools and universities, business associations, labor unions, the local community, the region and the environment.

Value Added. A method of calculation that measures the wealth produced by a company in doing business as it concerns the stakeholders that participate in its distribution.



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Florim Ceramiche S.p.A.

Via Canaletto, 24 - 41042 Fiorano Modenese (MO) - Italy

Tel. +39 0536 840111 / Fax +39 0536 844750

www.florim.it