



SALVAGUARDARE
LE RISORSE
IDRICHE
PROTECT WATER
RESOURCES

AVERE CURA
DELLA QUALITÀ
DELLA VITA
TAKE CARE
OF THE QUALITY
OF LIFE

Sustainability Report

2009

2nd Edition

FLORIM

**FLOOR
GRES**
MADE IN FLORIM

rex
CERAMICHE ARTISTICHE
MADE IN FLORIM

CERIM
MADE IN FLORIM

Casa dolce casa
MADE IN FLORIM
casamood
MADE IN FLORIM



Sustainability Report

2009

2nd Edition



Published by

Florim Ceramiche Spa

Finance Department – supervision

Communication Office – publishing coordination

Grateful acknowledgement to all colleagues who contributed to this project.

www.florim.it - comunicazione@florim.it

Collaboration and technical-methodological support

Focus Lab - Research and projects for sustainability and social responsibility



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Methodology

Note to the second edition

The information presented in this document will enable Florim stakeholders to monitor and evaluate the results achieved and those in progress, helping them thereby to also understand the objectives for the future. Our commitment is to publish the Sustainability Report annually in order to promote corporate social responsibility both inside and outside the company.

In this second edition, differently from the first, more precise and detailed use has been made of the thematic areas and indicators suggested by the Global Reporting Initiative (GRI), the most authoritative guidelines on an international scale for disclosure regarding environmental, economic, and social sustainability. In the section concerning the Value Added calculation, reference was made to the social reporting principles on a national scale designated by the Italian Gruppo Bilancio Sociale (GBS).

Our objective was to be exhaustive without making the document excessively ponderous for the reader.

In contrast to the first edition, this Report includes a section dedicated to an initial Florim USA Sustainability Report in summary form.



Letter to the stakeholders

2009 was a difficult year. The economic crisis, still ongoing, hit the ceramic industry very hard, and the most immediate consequence was a substantial downsizing of the entire sector. Many companies must adapt (in upcoming years as well) to a market in which demand will drop considerably. Our industry will consequently have to contend with a reduction in production and, necessarily, in staff.

It is my opinion that in the months to come, the priority that companies will have to individually face, but above all local governments, business associations, and trade unions, will therefore be tied to social issues. It is desirable that, as Florim was able to create the solidarity fund thanks to the initiative of our executives and to the fundamental support of the company, by continuing along this path the entire ceramic district will find economic resources to assist those who have lost their jobs and, in particular, to identify alternative professional paths for those working in the industry (for instance, concrete support for the establishment of new companies, even as cooperative structures, dedicated to socially useful enterprise, or the training of teams of tile installers at the service of manufacturers, professionals and private citizens).

Corporate Social Responsibility, economic sustainability and care for the environmental consequences of every production activity will therefore become determining factors in continuing to guarantee a positive economic level in our territory. I am confident that the road taken by Florim in 2009, as illustrated in this Report, will provide a stimulus to those who, despite the many difficulties, still have the desire, the courage, the passion and the commitment to do business and to create sustainable added value.

Enjoy your reading.

Claudio Lucchese
President - Florim Ceramiche SpA



Florim in brief

History

- 1962** Giovanni Lucchese introduces in Italy the production of **extruded klinker** tile, at that time an innovative German technology. **Floor Gres** is founded in the heart of the Sassuolo ceramic district.
- 1967** Floor Gres becomes the first Italian company to produce **white-body single-fired tiles**, applying a process later adopted by the majority of ceramic tile manufacturers.
- 1976** Floor Gres creates a **Swimming Pool Division**.
- 1981** Floor Gres is among the first companies in the world to produce **porcelain stoneware**, a material for which the company's expertise is now unrivalled.
- 1984** **Claudio Lucchese**, son of the founder, takes the helm of Floor Gres after the premature death of his father Giovanni.
- 1990** Floor Gres acquires **Cerim Ceramiche**.
- 1992** **Florim** is created from the merger of Floor Gres and Cerim.
- 1994** Florim acquires **Rex Ceramiche Artistiche**.
- 1995** The **Projects Division** is created to provide technical support and consultation for the creation of swimming pools, ventilated walls, raised floors and industrial flooring.
- 2000** Florim takes over TileCera, Inc. and gives birth to **Florim USA** a manufacturing and commercial facility that will become a key player on the North American market.
- 2005** Florim acquires **Casa dolce casa**.
- 2006** The **Casamood** brand is created.
- 2009**
 - Florim, the first in Italy, begins producing and selling in a traditional way **thin porcelain stoneware slabs**.
 - The company launches the **Florim by Makro** project: light prefabricated showers, bathtubs and washbasins covered with Florim ceramic materials.
 - The first **Florim Flagship Store** opens in downtown **Milan**.

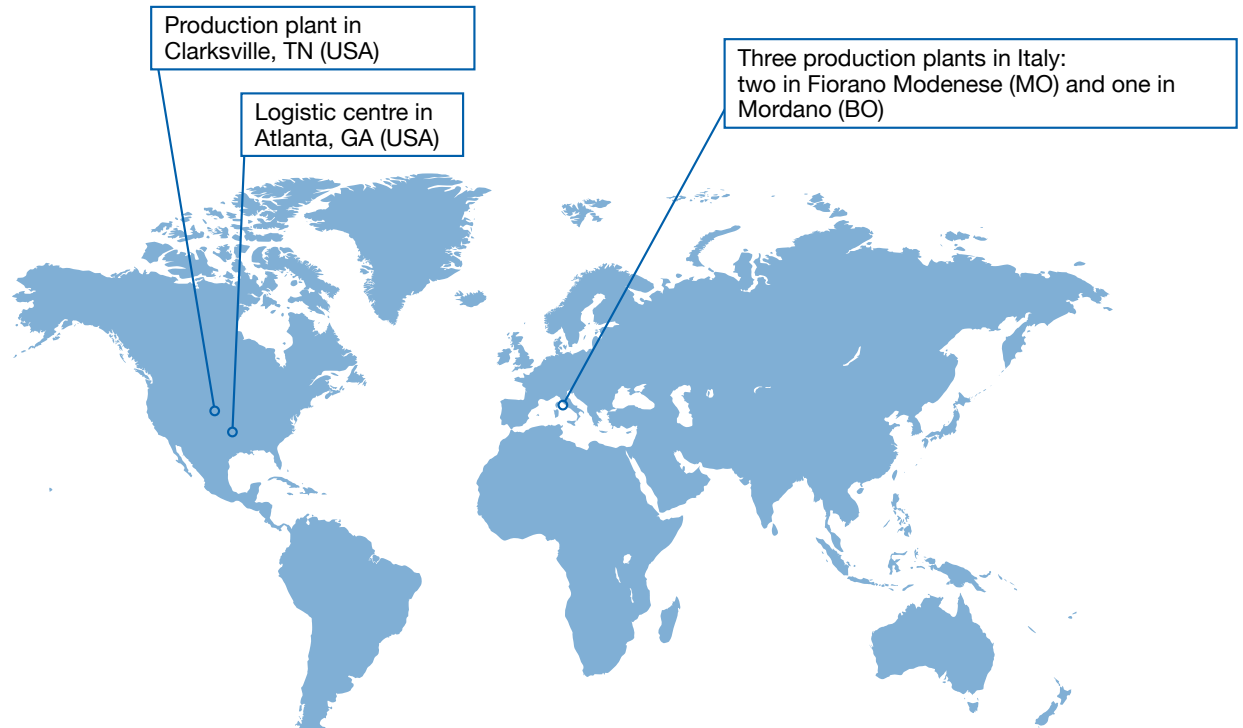
Florim today

Florim Ceramiche SpA currently has a workforce of approximately 1,500 employees worldwide, consolidated revenues of more than Euro 260,000,000 in 2009, and production of 18 million square metres in the same year.

An international vocation carefully planned over the years, brands well established on the market (Floor Gres, Rex, Cerim, Casa dolce casa, Casamood, Florim USA), and an industrial organisation comprising production plants (three in Italy and one in the United States), logistic centres or commercial partnerships in Europe, the Americas and Asia, give Florim a solid structure able to capitalise on and satisfy all demands of a market that is increasingly global and respond to the requirements and styles of architecture, urban planning, and culture in every country in the world.

Florim's worth is also expressed in the work of **Florim Solutions**, a recent development of the Projects Division. Florim Solutions is a technical team represented by skilled personnel who provide assistance and consultancy to professionals and construction firms for the creation of swimming pools, ventilated façades, raised floors, industrial flooring, light prefabricated bathrooms and urban furnishings.

Florim in the world



Brands



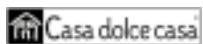
Floor Gres is the brand dedicated to architectural projects, including various materials and surfaces that guarantee a long lifespan and excellent technical features. The Floor Gres product range is able to fulfill the many design, technical and eco-compatibility requirements of contemporary architecture.



Rex is the brand of elegance and aesthetics. Its product lines are imbued with a contemporary style inspired by precious natural materials (leather, horn, wood, marble, stone). Floor and wall coverings are coordinated in a style in which the interaction of surfaces ultimately creates a new language of home living.



Cerim is the Florim brand mostly dedicated to wall tile, colour, and decoration. Surfaces are designed with the idea of the environment as a whole, so as to enhance all home spaces and provide solutions that satisfy the most diverse aesthetic requirements.



Casa dolce casa is the brand created for fine high-end residential architecture and offers warm atmospheres inspired by the harmony of colours and surfaces of nature. Materials are both rich and simple, in a delicate balance between traditional and contemporary style.



Casamood is a project of coordinated colours and surfaces that combines porcelain stoneware with other types of materials (glass, paint, grout). Settings are conceived as harmonious wholes in which the different atmospheres of the architectural design are associated with the interior decoration, thereby creating new forms of interaction.



Florim USA is the brand of the American subsidiary: ceramic tiles in porcelain stoneware for residential and commercial buildings produced at the factory in Clarksville, Tennessee, are designed to respond to the tastes of the broadest market segment.

The commitment to innovation

Thin porcelain stoneware

In 2009, Florim introduced in the market the **Slim/4** project: **thin (4 mm)** porcelain stoneware slabs.



The thin slab production technology was developed in-house and produces a material that is extremely resistant to the widest variety of stresses even though it is easy to cut, perforate and maintain. Slim/4 is a product for floors and walls, particularly suitable in **renovation** projects for laying over existing materials. This type of application makes it possible to reduce the time required for the renovation work and therefore also reduce costs.

Slim/4 is a **true eco-friendly product** because:

- fewer raw materials are required to produce it
- reduced CO₂ emissions in transporting the material (at equal weight, the area in square metres is more than double)
- installation over existing materials eliminates the production of debris that must be disposed of, consequently also reducing the acoustic pollution in the work site
- it is Ecolabel certified.

The fact that the slabs are thin, lightweight, and easy to transport and handle at the work site makes them the most effective solution to the new demands of the market.

Over the course of 2009, Florim introduced seven Slim/4 lines: Stontech (Floor Gres), Abisko, Le Essenze di Rex, I Bianchi di Rex (Rex), Pietre (Casa dolce casa), I Legni Naturali (Cerim), Black & White (a line that cuts across all the brands).

At Cersaie 2009, Florim unveiled the evolution of this project: **Wallight**, the porcelain slim wall tile (4.5 mm). Two series have been created with this new technology: Richstone and Glossy (both under the Cerim brand).



LA PORCELLANA SOTTILE

Florim by Makro – An integrated system of ceramic bathrooms

Florim by Makro is the result of an encounter with a young company specialised in technical products for the bathroom. The purpose of this collaboration was to create a new system, dedicated primarily to the contract market, for designing the bathroom environment using ceramic surfaces and developing solutions based on advanced concepts and technologies.

The variety and diversity of product types available for the bathroom have always made it difficult for designers to create a coherent project. The Florim by Makro system (composed of undertop bathtubs, showers, and washbasins) makes it possible for the first time to create an aesthetic and functional relationship between furnishing elements and ceramic surfaces that can satisfy every type of design need.

The system uses light modular prefabricated elements that are easy to handle and fast to install, making it therefore possible to achieve the utmost coordination between the surfaces of the bathroom.

This innovative system provides time savings at the work site, reduces installation time and costs and guarantees a strikingly aesthetic effect. It is a tailor-made solution conceived to be applied to any type of design requirement.



“Dolphin” – A new swimming pool edge

Commitment to research and innovation, experience accumulated in more than forty-five years of history, and more than 30,000 swimming pools installed throughout the world, all make Florim one of the most trusted references for designers of swimming pool complexes and spas/wellness centres.

Florim has drawn on its technical know-how to offer the market a new type of swimming pool edge called Dolphin, composed of a core in ultra-light waterproof material covered with non-slip ceramic materials.

This special new edge is an exclusive combination of the values of an attractive and ergonomic form and a flexibility of use that makes it suitable for private, public and hotel pools, as well as pools in spas and wellness centres.

The Dolphin edge element offers multiple advantages that make it the ideal choice for designers: modularity with 60 cm base (to combine with products for inside and outside the pool), easy laying, light weight, non-slip safety, dimensional consistency, adaptability to pools of any shape, ergonomics that facilitate manual gripping, a structure that limits water overflow, thermal insulation, maximum hygiene and total impermeability.

The innovation represented by Dolphin in the market is also guaranteed by the fact that it has a **patent pending**.



Florim Flagship Store

On Thursday 12th November 2009, Florim inaugurated its first showroom in Milan with an event reserved for customers and designers. Covering an area of approximately 500 m², the showroom is located in Via Fatebenefratelli n° 9, a distinguished quarter in the heart of the city. This new space showcases the products and solutions of all the company's brands, making it a perfect meeting place dedicated to our partner customers, architects, industry professionals, and all those involved in the world of building and design.

The first Florim showroom was established in the heart of Milan as a promotional opportunity in one of the most important European capitals of architecture, design, and décor also in view of the upcoming Expo 2015.





PART ONE – CORPORATE GOVERNANCE

Florim Mission and Values

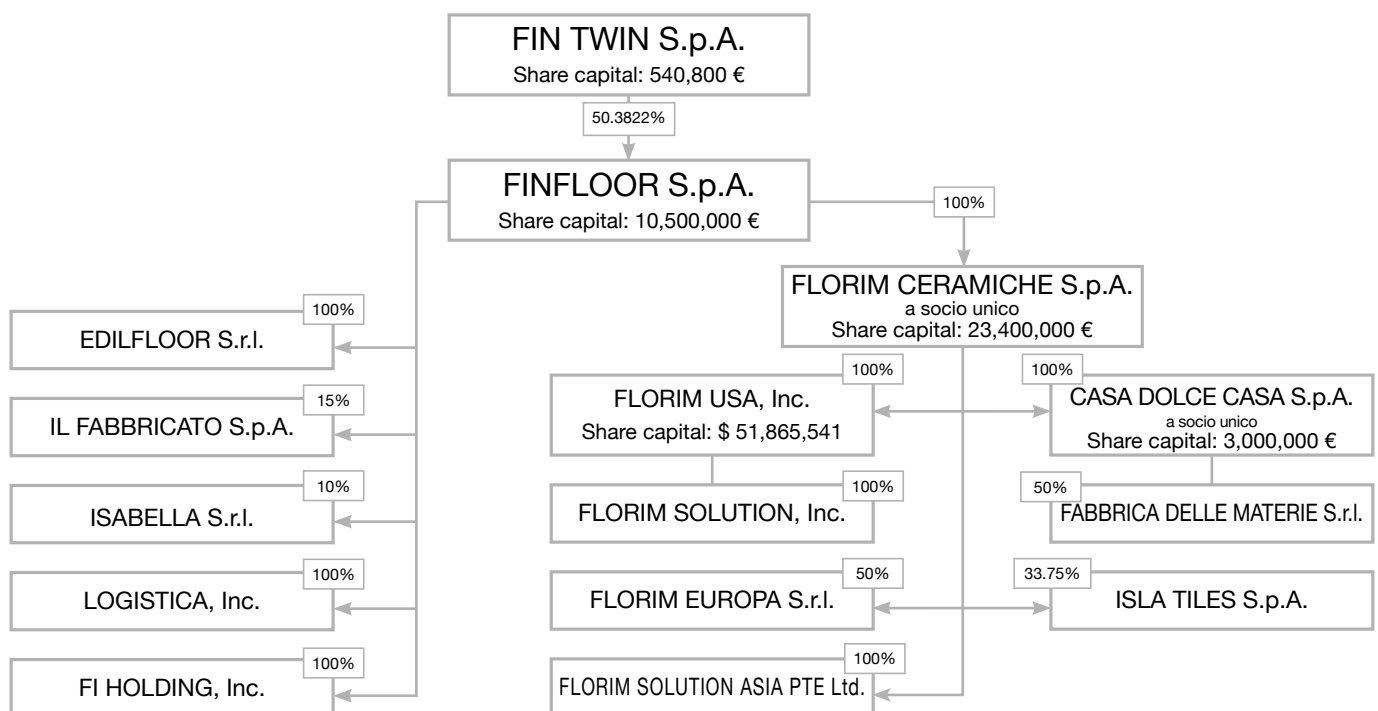
Florim's mission is to be a company capable of providing optimum solutions in terms of materials and components for architecture in a perspective of eco-sustainability, endeavoring thereby to fulfill the requirements of our customers and to create value for company shareholders and employees and for the community at large.

Florim is therefore focused on being a successful company and becoming a point of reference for the entire ceramic industry.

The values and factors of reference in the strategies and operations of Florim are:

- the constant drive towards research, innovation and the quality of products and production processes
- the promotion of a spirit of belonging amongst all collaborators
- transparency in relations and behaviours
- quality of the work environment
- environmental and social sustainability in the context in which it operates.

Corporate organisation



Model of organisation, management and control

In 2009, Florim's Board of Directors defined, approved, and adopted a Code of Ethics pursuant to Italian Decree Law 231/01 and established an Oversight Board. The duties of the board are to oversee and ensure the observance and updating of the corporate organisational model, to propose improvements, to clarify any doubts as to interpretation and application and to receive notification of any violation of the code of ethics with reference to the provisions, rules, principles, and prohibitions aimed at preventing the risk of commission of the crimes named by the abovementioned decree.

The Oversight Board therefore has the responsibility to apply the disciplinary actions envisaged by the organisational model adopted, also in the event that behaviours are verified that deviate from the principles and rules contained in the Code of Ethics.

Florim stakeholders

The stakeholders comprise all individuals and groups of persons directly or indirectly involved who can influence or be influenced by the activities of a business in terms of its policies, products and work processes: e.g., shareholders, employees, customers, suppliers, institutions, environment, local community, banks, education and training centers, trade unions, neighbourhoods.

Environment

Florim's commitments related to environmental management include:

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

Employees and trade unions

Florim's commitments related to employees relations include:

- to guarantee equal opportunity, appropriate remuneration, professional growth and quality of life
- to enhance the value of employees according to transparent and merit-based criteria
- to ensure safe work environments and procedures
- to guarantee transparency and clarity in contractual terms and conditions
- to guarantee dialogue and internal communication.

Customers

Florim's commitments to its customers include:

- to build a relationship of mutual trust that ensures a stable interaction
- to guarantee product reliability and enhance customer service
- to make available diversified offers, including services with added value
- to guarantee clarity in contracts and billing.

Community and institutions

Florim's commitments to local communities and institutions include:

- to guarantee dialogue, cooperation and transparency
- to give back value and worth to communities involved in the regions in which Florim operates
- to improve the effectiveness of external communication regarding the company's activities and initiatives as related to corporate sustainability.
- to contribute economically to local sports initiatives dedicated to children and youth.



Awards

Corporate Social Responsibility Award 2009

Florim was awarded the “Premio RSI” (Award for Corporate Social Responsibility in the Province of Modena) in the category “Best initiative in a context of crisis”, thanks to the solidarity initiative promoted by company's managers.

Established with the support of the Province of Modena in conjunction with the Chamber of Commerce, and now in its fourth edition, the CSR Award aims to highlight and reward the best cases of social responsibility in various categories of initiatives, offering them as examples of innovation and corporate culture.

The award given to Florim is a special recognition introduced in this edition (in which 41 companies competed), which aims to emphasize “anti-crisis” initiatives promoted in favour of employees.

The Florim Managers Solidarity Association (see page 31) is confirmed as a project of significant social value, a concrete support to families in difficulty and a choice that, if taken as an example and a stimulus, makes it possible to look towards the future with renewed hope.

In January of this year, the Florim Board of Directors decided to continue the initiative also for 2010.



At the centre of the photo, Giovanni Grossi (Florim Chief Financial Officer) displays the award just received from the President of the Province, Mr. Emilio Sabattini (right).

Cersaie 2009 – Award for best booth



Florim won the Cersaie Award 2009 (“Large companies” category) for the best booth at the show. The objective of the Florim booth at Cersaie was to communicate the individual identities of the Floor Gres, Rex, Cerim, and Casa dolce casa/Casamood brands while at the same time representing the unity of Florim as a group. Four thematic layouts were created to convey the identity of each brand: a space dedicated to wellness for Floor Gres, a hotel for Rex, a store for Cerim, and a home environment for Casa dolce casa/Casamood. The spaces were situated inside a rigorous architectural shell composed of two basic elements: a lighted wall of more than 160 linear metres that bounded the booth's area, which served as a high-impact communication of the Florim brand, and a large central square, a sort of magnet that catalysed the strength of Florim and served as the pole of attraction for industry professionals and visitors.



Cyprus airport, "I MARMI DI REX" and "LE ESSENZE DI REX" collections

PART TWO – SUSTAINABILITY COMMITMENTS, ACTIVITIES AND RESULTS

Responsibility and Sustainability 2009 Summary of results

Economic profile

Finfloor consolidated (in Euros)	2008	2009
Net revenues	330,637,000	259,675,000
Gross margin (EBITDA)	23,923,000	35,798,000
Operating profit	3,492,000	15,324,000
Gross Cash Flow	16,300,000	24,400,000
Profit after tax	(8,128,000)	3,445,000
Net financial debt	(215,270,000)	(192,840,000)
Net equity	115,919,000	129,123,000

Environmental profile*

	2008	2009
CO ₂ emissions	135,000 t	74,000 t
CO ₂ emissions (t) / Stored (t)	0.33	0.29
Wastes produced	38,342 t	37,470 t
Wastes recovery	98.6%	99.2%
Total water consumed (m ³) / Stored (t)	0.71	0.88
Water recycling ratio	100%	100%
Energy self-produced over energy requirement	23%	16%
Investments for environmental management	1,558,000 €	2,221,000 €

Social profile*

	2008	2009
Number of employees	1,310	1,234
Total number of training hours	11,532	8,843.5
Number of training hours on environment and safety	3,367	5,236.5
Number of accidents	121	77

* The environmental and social data refer to Florim Italia. For Florim USA, see the dedicated section.



Economic Responsibility

Comment on 2009 economic data

The worst year for the ceramic industry turned out to be one of the best years for the results that Florim was able to achieve, considering the difficult overall context.

The efforts made by company directors already at the end of 2008 have thus far ensured satisfactory results. In general, in the face of a 21% drop in sales, the company showed good performances in terms of profitability.

The gross Cash Flow of the group increased from Euro 16.3 million in 2008 to Euro 24.4 million in 2009 and, versus a loss of Euro 8.1 million recorded in 2008, it has been achieved a **net consolidated profit of Euro 3.4 million**. The EBITDA grew from Euro 23.9 million in 2008 to Euro 35.8 million in 2009.

Given the economic situation in which the sector still remains, in 2009 Florim carried out a policy of reduced production that involved the use of its plants and machineries at full operation alternating with complete shutdowns. Recourse to temporary layoffs allowed this policy of reduced volumes, making it thus possible to reduce the impact of production costs that otherwise would have been more heavily hit by the component of fixed costs. The **reduction of industrial costs** was also granted by savings on energy costs,

achieved through fixed price purchase contracts and by **regained efficiency**.

The costs related to the commercial and marketing area were also optimised, while the average sales price increased due to the product mix (in particular sales of large sizes, whose demand is increasing on the market).

The Net Financial Position (NFP) improved considerably due to the reduction of the working capital associated with the reduction of business, and to the free Cash Flow generated by operations.

In addition, the company carried forward an ambitious **plan of investments** aimed at significantly improving industrial competitiveness. These investments included the renovation of the body preparation plants (to be completed during 2010) and the opening of the first Florim Flagship Store in Milan.

With regard to Casa dolce casa, in spite of the drop in sales the company was able to maintain satisfactory margins: costs were considerably rationalized, particularly in the area of services (external processing, commissions, marketing and consulting).

Economic, equity and investment forecasts

Generally speaking, in the next two years the forecast is for a cautious recovery of sales and an ongoing policy of inventory reductions.

Investments for more than Euro 30 million are also planned between 2010 and 2011 for completing the renovation of the grinding/spray dryer department of Via Canaletto factory (in Fiorano Modenese), for purchasing of a cogeneration turbine, for introducing digital technology

machinery and a new kiln along the production lines, and the renovation of the Florim USA production facility. These investments will ensure a considerable costs reduction associated with raw materials, energy, labour and maintenance materials; they are also aimed at improving product quality and consistency over time as well as the work place as a whole.

Value Added

The economic part of the Report includes two statements that highlight:

1. the calculation of the annual Value Added (which measures the wealth produced by the company)
2. its distribution amongst the various stakeholders of most immediate reference.

Calculation of Value Added

The aim of this section of the Report is to give an idea, in terms of value, of the economic effects produced by the company activity. We thus obtain a representation of the wealth produced, centred on the formation of global value added viewed as the ability to create resources to be distributed to the stakeholders interested in the company activity.

The statement highlights the following levels:

- **Gross characteristic Value Added**, obtained from the difference between the value of production and the intermediate production costs-consumption of the company:
 - *the value of production* is determined by the sum of the proceeds obtained from the ordinary activity of the company
 - *the intermediate costs-consumption* are the costs that do not represent remuneration of the internal stakeholders, such as consumption of materials, costs of services and various charges
- **Total gross Value Added**, obtained by adding to the gross characteristic value added accessory and extraordinary components:
 - *the accessory items* (accessory income and expenses) refer to assets and financial management
 - *the extraordinary items* (extraordinary income and expenses) derive from random events extraneous to the ordinary activity, such as capital gains and losses, previous years income and expenses.

Statement of calculation of Value Added

(Florim Ceramiche and Casa dolce casa)

	2008	2009
Revenues from sales and services	290,775,728	211,636,425
Other revenues	3,741,085	4,428,832
Change in inventory of finished and semi-finished products	6,127,287	(15,687,343)
Global value of production	300,644,100	200,377,914
Costs for materials	82,902,277	45,746,312
Change in inventory of raw material and accessories	(4,853,744)	3,900,403
Costs for services	112,162,053	61,286,184
Costs for use of third-party assets	3,961,044	3,169,410
Other operating costs	3,798,982	2,904,393
Intermediate costs of production	197,970,612	117,006,702
Gross characteristic Value Added	102,673,488	83,371,212
Accessory items	8,727,785	290,513
Extraordinary items	(113,329)	11,995
Accessory and extraordinary items	8,614,456	302,508
Total gross Value Added	111,287,944	83,673,720

Distribution of Value Added

The statement of wealth produced is confirmed with a statement of its distribution amongst all beneficiaries:

- a) **Employees and contract personnel** (*Personnel remuneration*)
Salaries and wages, social security and health insurance contributions, termination indemnities, pensions and other costs of non-significant amount.
- b) **Company** (*Remuneration of company system*)
Profits not distributed, provisions, amortisations and depreciations.
- c) **Financial providers** (*Remuneration of credit capital*)
Interest paid and other financial charges deriving from debts towards controlling and associated companies, debts towards lenders, banks and bondholders.
- d) **Government authorities** (*Remuneration of the government*)
Economic benefit acquired by government authorities (income taxes).
- e) **Shareholders** (*Remuneration of risk capital*)
Amount of dividends paid.

Statement of distribution of Value Added

(Florim Ceramiche and Casa dolce casa)

	2008	%	2009	%
Employees and contract personnel	75,593,167	68%	55,561,964	66%
Company	18,112,423	16%	16,613,794	20%
Financial providers	13,301,266	12%	8,511,540	10%
Government authorities	4,281,088	4%	2,986,422	4%
Shareholders	0	0%	0	0%
Total gross Value Added	111,287,944	100%	83,673,720	100%





Environmental Responsibility

System certifications

Environment, Health and Safety – ISO 14001 and BS OHSAS 18001

Over the course of 2009, the company continued the implementation and integration of the environmental management procedures in the company quality system, in compliance with the ISO 14001 standard, and the worker health and safety management system, according to the BS OHSAS 18001 standard.

The major activities carried out include:

- establishing a policy of integrated management system
- risk assessment and setting the acceptable level
- setting the requirements for structural adjustments
- establishing control measures, work instructions and consequent system procedures.

Complete implementation of the project will take place in 2010, including a training course for all employees, periodic internal inspections and the application for obtaining system certifications.

Environmental certifications on products

Ecolabel



Ecolabel (EC regulation no. 1980/2000) is a certification given to products which, through the various stages of their life cycle, **comply with ecological and performance criteria at the European level** associated with the extraction of raw materials and the processes of manufacturing, packaging, distribution, use and disposal. These criteria, which differ for specific product groups, are periodically submitted for revision and made more restrictive in order to foster the continuous improvement of environmental quality.

In 2009 Florim **obtained the Ecolabel seal of approval on the series of thin porcelain stoneware slabs** Stontech Slim/4 (Floor Gres), Abisko Slim/4 (Rex) and Pietre Slim/4 (Casa dolce casa).

The Ecolabel seal received for the Slim/4 products joins what has already been granted to the Ecotech and Architech series (Floor Gres).

Recycled content

Certain product lines belonging to the various Florim brands have received certification from Bureau Veritas as products with at least 40% of the weight made of **pre-consumer recycled material**. These items are therefore fully eco-compatible and can satisfy the requirements for environmental sustainability established by many international certification programs.

In 2009, Florim received certification for recycled content for the Saint Pierre (Cerim) and Pietra Mediterranea (Casa dolce casa) product lines. This recognition is added to the same certifications previously granted to Architech, Chromtech/1.0 and Ecotech (Floor Gres), Ambiente and Pietra Riciolata (Cerim).

LEED certification (Leadership in Energy and Environmental Design)



Florim is registered with the **U.S. Green Building Council (USGBC)**, the most important American association of industries in the building sector aimed at promoting methods of design and construction that lead to a significant reduction or elimination of the negative impact of buildings on the environment.

To enable concrete quantification and correct monitoring of the degree of sustainability achieved by a building project, in 1999 the USGBC established a certification procedure for the development of sustainable buildings called the **LEED Green Building Rating System**.

LEED certification, one of the most widespread on the American building market and also adopted in numerous other international contexts, assesses and certifies the sustainability of a building in its entirety, from the design to its day-by-day management (it is therefore not a product certification).

The method of certification involves the assignment of a rating to the building based on its compliance with a number of requirements, divided into several major areas:

- sustainable construction sites
- protection of water resources
- energy efficiency and use of renewable sources
- storage, composition and origin of construction materials and raw materials
- indoor environmental quality
- innovation in design

As illustrated below, Florim tiles, as part of the system that composes the building, contribute to earning LEED points in various areas.

Materials and resources

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

Low-emission materials

In accordance with the requirements established by LEED certification, the finishes used in a building must reduce to a minimum the quantity of indoor air pollutants that are malodorous, irritant, or harmful to the comfort and well-being of both installers and occupants.

Florim tiles release substantially zero values of VOC (Volatile Organic Compounds) and therefore do not emit any pollutants into the air.

Florim products therefore enable a building to earn **one LEED credit** in this category (EQ 4.2).

Heat island effect

All surfaces, especially dark ones, absorb sunlight and release it in the form of heat, consequently raising the surrounding temperature: this is what is called the “heat island” effect. Therefore, it is evident that the nature and colour of the materials with which a building is constructed have an impact on this effect.

LEED certification requires the use of materials for floors

and exterior cladding that have a Solar Reflectance Index (SRI) of at least 29 in order to reduce the heat island effect and minimise the impact of a building on the surrounding microclimate. Light-coloured ceramic tiles have a Solar Reflectance Index much higher than 29 and for this reason they considerably reduce the heat island effect, enabling a building to earn **one LEED credit** in this category (SS 7.1).

Innovation in design

With **up to a maximum of 5 credits** (category ID 1), the rating system rewards all materials that provide high-level performance in reference to LEED requirements or that guarantee innovative performance features in the 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, for example, fall into this category; the same goes for all the series that are **Ecolable certified**.

As a result of the growing interest in this matter in Italy, in 2009 Florim also became a member of the **Green Building Council Italy**.

Waste management

In all factories, the management of waste materials is carried out according to the methods established by national regulations, and waste handling is controlled by a computerised system.

Florim employs a management system that focuses on the recovery of wastes in the production processes as well as for their placement in dedicated storage sites.

The production residues in the factories are split into:

- *wastes that can be recycled within the production cycle*, such as scraps of unfired and fired tiles, dusts from the atmospheric emissions abatement filters, and sludge from the treatment of process water and grinding water
- *wastes that can be recovered for other uses*, such as scraps of plastic, wood, paper and cardboard, iron and steel
- *hazardous wastes to be sent for treatment and disposal*, such as used oil and grease, used lime deriving from the abatement of firing fumes
- *non-hazardous and non-recyclable wastes*, such as wastes comparable to municipal wastes.

	2008	2009
Total wastes produced (t)	38,342	37,470
Total recyclable wastes (%)	98.6	99.2
Total non-hazardous wastes (%)	99.1	99.4
Total wastes produced (t) / Stored (t)	0.09	0.15

Water resources

The environmental impact related to **water discharge is nil**, since the water used in the production cycle is completely reutilised. All other discharges are in compliance with legal limits.

Regarding **consumption**, the figure for 2009 is in line with 2008.

	2008	2009
Water consumption		
Total water consumed (m ³) / Stored (t)	0.71	0.88

Energy

In the ceramic industry, energy consumption in production processes is undoubtedly intensive, with a consequence of direct and indirect impacts on territory and environment.

The main parameter used for assessing the energy situation of the production system is

the total average specific energy consumption (TEJ), supplied in GJ/t of product stored. As can be seen from the table below, this consumption results from the sum of natural gas consumption (NGJ) and electrical consumption (EEJ).

Parameter – Definition		Unit of measurement	2008	2009
NGJ	Specific average consumption of natural gas referred to the mass unit of product stored	GJ/t	5.57	4.90
EEJ	Specific average consumption of electrical energy referred to the mass unit of product stored	GJ/t	1.08	1.23
TEJ	Total average specific consumption of energy referred to mass unit of product stored	GJ/t	6.65	6.13
%	Energy self-produced over requirement	%	23	16

In 2009, the energy self-produced over energy requirements was reduced due to the production shutdowns resulting from the crisis affecting the ceramic industry worldwide.

This inhibited the cogeneration turbine installed at the Mordano plant from working during the entire course of the year (as it had, instead, in 2008).

Air emissions

Greenhouse gas emissions

Industrial plants emit greenhouse gas, essentially carbon dioxide (CO₂), of which the main emission sources can be divided into:

- *combustion sources*, originating from fossil fuels (such as methane)
- *process sources*, resulting from the calcinations of the limestone and dolomite contained in the raw materials, from any organic material content in the clays used, from the possible presence of organic additives in the mixtures

CO₂ emissions

	2008	2009
CO ₂ emissions (t)	135,000	74,000
CO ₂ emissions (t) / Stored (t)	0.33	0.29

In 2009, air emissions were reduced in absolute value due to the production shutdown resulting from the crisis affecting the ceramic industry worldwide. The index that measures the ratio

between carbon dioxide emissions and tons of material stored indicates, in any case, an improvement in Florim's performance.

Emissions from the production cycle

	2008 Emission factor g/m ²	2009 Emission factor g/m ²	Parameter of control
Particulate material	3.21	2.97	≤ 5
Lead	0.01	0.01	≤ 0.5
Fluorine	0.21	0.11	≤ 5
VOC	0.17	0.74	≤ 50
Aldehyde	0.32	0.30	≤ 20
Nitrogen oxide	1.45	2.06	≤ 80
Carbon monoxide	0.62	0.68	≤ 60

Above data show that, on average, the company's performance is in line with the 2008. In general, with respect to legal limits, Florim's performance is far below the values established by the control parameters.

Forklifts

From the point of view of environmental responsibility, it is useful to note that the Florim fleet of forklifts includes 88 diesel-powered vehicles and 32 electric vehicles. This means that 36% of the forklifts used in the company do not directly emit greenhouse gases.

All the diesel-powered forklifts are fitted with catalytic converters.

Car pooling transportation project

Fiorano Modenese daily faces the problem of transportation. Since the town is home to the most important firms in the ceramic industry, with significant traffic flows of goods and people, mobility is a crucial issue affecting both the environmental quality of the region and the quality of life of the people who live and work there.

Just a few figures (data for 2009 related only to the area of Via Canaletto, where the Florim headquarters are located) are sufficient to give a clear picture of the situation:

- 1,200 incoming cars per day
- 912 tons a year of CO₂ (carbon dioxide) emitted into the atmosphere
- 76 instances of exceeding the maximum daily limit established by the regulations for harmful particulate matter PM10 in the air

All this obviously represents a significant cost for the entire community in terms of money, travelling time, and above all, health.

To improve such a complex a situation, it is necessary on one hand to act on the infrastructures and on the road networks, but on the other hand all the participants involved (employees and companies) must make a cultural leap and adopt more sustainable lifestyles.

For these reasons, Florim is engaged along with other local companies, trade unions, industrial associations and the Municipality of Fiorano Modenese in the "Home to/from Work Transportation Commission". The aim of the commission is to conduct an analysis of the existing situation and develop new proposals in order to identify sustainable means of transportation available to employees for the route between home and work.

The work of the Commission began in October 2009 and will continue throughout 2010.

Summary of other results of the environmental policy

Criterion		Results
Extraction of resources	Compliance with the EU directives / UN Convention	The activities of extraction and environmental restoration of the main quarries comply with the following provisions: <ul style="list-style-type: none"> - EU Directive 92/43/CEE (Council Directive on the conservation of natural and semi-natural habitats and of wild flora and fauna) - EU Directive 79/409/CEE (Council Directive on the conservation of wild birds) - the United Nations Convention of 1992 related to biodiversity
	Coefficient of visual impact	The coefficient of visual impact of the main quarries (calculated as defined in the decision 2002/272/CE) is < 30%
Distribution	Recycling circuit	All packaging material is sent off to be fully recycled and reused: <ul style="list-style-type: none"> - pallets are collected from the distributor and are reused; when no longer reusable, they are sent for recycling as raw material for the wood industry - packing boxes are sent to the sorted waste collection facility for recycling - shrink-wrap plastic is sent to the sorted waste collection facility for various uses in plastics recycling
Suitability to the use	Tests in accordance with ISO 10545 standards	The material produced by Florim is suitable to the use as it is hard, resistant (tests performed in accordance with ISO 10545 standards), hygienic, non-combustible and fire-resistant (class A1 and A1fl in accordance with the directive 96/603/CEE as amended). All technical specifications are constantly verified and confirmed by the CE marking and by external certifications.
Disposal	Recycling circuit	The rubble resulting from the demolition of tiles is inert material (non-reactive, chemically and physically stable, and resistant to prolonged exposure also under extreme thermal, hygrometric and chemical conditions). The rubble from tile demolition can be deposited in the environment without particular hazards and can also be used in the preparation of road subgrade.



Social Responsibility

Florim and the economic and social crisis

The financial crisis that has struck the international and local economic system has been particularly severe in the construction industry and consequently in the ceramic sector. This situation has produced devastating effects on the stability of the companies, strongly reflected

in the relations between the company and its stakeholders. The need to reduce production volumes led to the consequent reduction of employment, of purchases on the market, and of costs in general.

Actions in support of the company and its employees

Actions taken by Florim to tackle the crisis have been consistently discussed with trade union representatives, who have endorsed the content of these actions.

- More than thirty million Euros were allocated in the two-year period 2009-2010 for the renovation of production systems, involving the introduction of new technologies aimed at improving the quality and efficiency of the factories as a whole
- Recourse to ordinary and extraordinary temporary layoffs
- Training projects aimed at professional growth and skills acquisition.

Florim Managers Solidarity Association

In February 2009, all twenty-three Florim managers, by means of a specially constituted association, decided to devolve 10% of their salaries for one year to a solidarity fund to benefit the colleagues most seriously affected by the layoff procedures. The project, approved and supported by the company, which agreed to integrate the resources of the fund, bringing it to a total of 500,000 Euros, provided disbursements on a four-monthly basis to Florim employees who

had been laid off for at least 60% of the monthly work hours.

This initiative, still the only one of its kind in the ceramic sector, made it possible to provide concrete support to several workers and for this reason **it will also continue throughout 2010**, demonstrating the commitment of the company's managers to provide tangible aid to the families in greatest difficulty and to promote initiatives inspired by the values of social responsibility.

Total disbursed over the course of 2009: **185,518 €**

Total employees that benefited from at least one allowance: **649**

The amount disbursed in each monthly installment varies from a minimum of € 75 to a maximum of € 150; the amount is proportional to the hours spent laid off with respect to the hours worked in the month.

Disbursements	Amount disbursed	Beneficiaries
April 2009	67,288 €	422
August 2009	30,091 €	186
December 2009	88,139 €	547

Employees

Composition of the workforce

(Florim Ceramiche, Finfloor and Casa dolce casa)

	Personnel Categories										Total	
	Managers		Middle management		Office staff		Production supervisors		Production staff		2008	2009
Gender	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Women	1	0	3	3	161	138	22	22	310	302	497	465
Men	30	22	31	31	171	160	85	82	496	474	813	769
Total	31	22	34	34	332	298	107	104	806	776	1,310	1,234

Over the course of 2009, the Florim headcount decreased by approximately 6.5%. Considering that the year was characterised by a substantial drop in production, with consequent negative effects in terms of employment, the 2009 data are in line with the expectations.

The industry data available, collected within the sphere of a survey conducted by Confindustria Ceramica in 2008 and 2009 on a sample of 40 companies, show overall difficulty in maintaining employment: in 2008 the employment index was -1.01, while in 2009 it was -5.82.

No. of disabled people

(Florim Ceramiche and Casa dolce casa)

Personnel Categories	Women		Men	
	2008	2009	2008	2009
Production staff	7	5	19	17
Office staff	0	0	1	3
Total No. of disabled people	7	5	20	20



Equal opportunity

The distribution of men and women, taking into consideration the tasks dictated by the type of activity, reflects the average situation in the sector.

Regarding office staff and middle management, men, with same duties, earn on average

approximately 10% more than women, whereas amongst production staff the difference is 7%.

Overall, the company has 43 non-Italian employees, of which 38 at Florim and 5 at Casa dolce casa.

Incentives and bonuses

Since 1992, Florim was the first company in the ceramic sector to develop an internal contract (at that time extremely innovative) that provides for a variable yearly bonus given to the staff of the industrial area related to a number of economic and Quality indexes (EBITDA, first choice efficiency, scrap, productivity).

Almost all the labour contracts of the employees of Florim Ceramiche SpA are also governed by in-company agreements that supplement the National Collective Labour Contract of the ceramic sector.

The issues involved in the relationship with

labour representatives regard not only the strictly economic part, but also the continuous improvement of safety and quality of work, as well as the competitiveness and productivity of the corporate system (carried out by means of ongoing professional training initiatives).

Regarding management of the sales network, the assignment of year-end bonuses follows various procedures that evaluate the objectives achieved with respect to those targeted, in terms of both revenues and average selling price. These procedures are implemented to foster teamwork and to motivate all involved.

Health and safety

Global accident statistics

(Florim Ceramiche and Casa dolce casa)

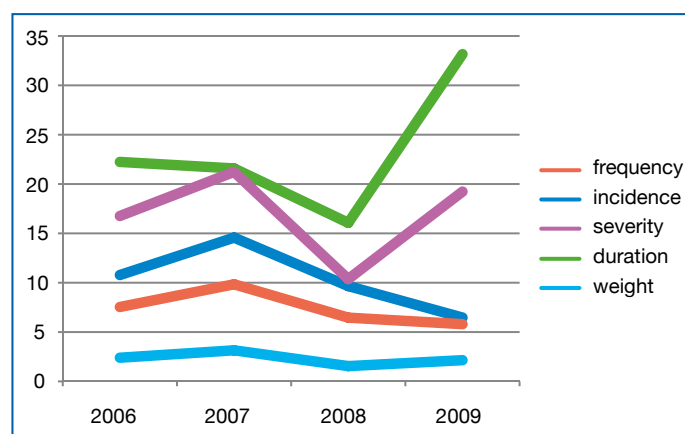
GLOBAL						
Year	No. accidents	Frequency	Incidence	Severity	Duration	Weight
2006	124	7.54	10.78	16.76	22.24	2.40
2007	166	9.84	14.57	21.23	21.58	3.15
2008	121	6.46	9.66	10.37	16.07	1.55
2009	77	5.80	6.47	19.23	33.16	2.15

The table below, prepared as part of a survey produced by Confindustria Ceramica on a sample of 40 companies, makes it possible to compare the results of Florim in relation to the trends in the ceramic sector over the last several years. The Florim indexes are generally better than the average figures of the sector.

AVERAGE SECTOR INDEXES			
Year	Frequency	Incidence	Duration
2006	9.30	14.14	16.08
2007	8.42	12.88	17.85
2008	8.69	12.83	17.02

Accident trend

(Florim Ceramiche and Casa dolce casa)



Key

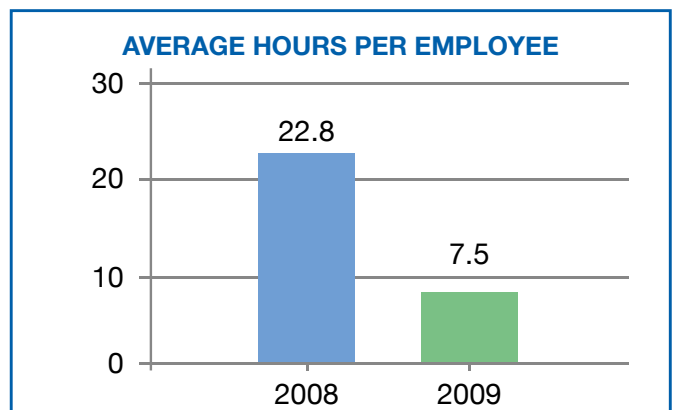
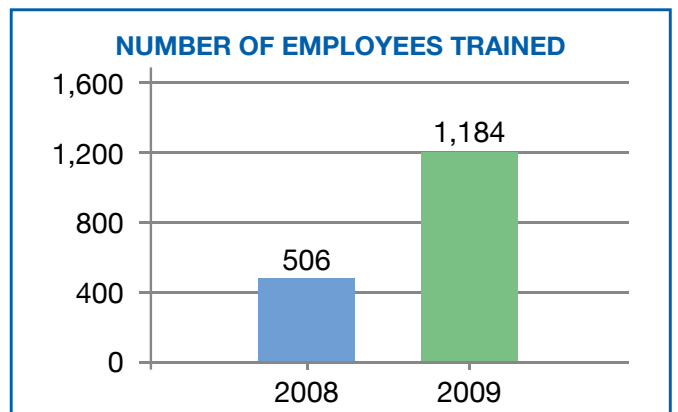
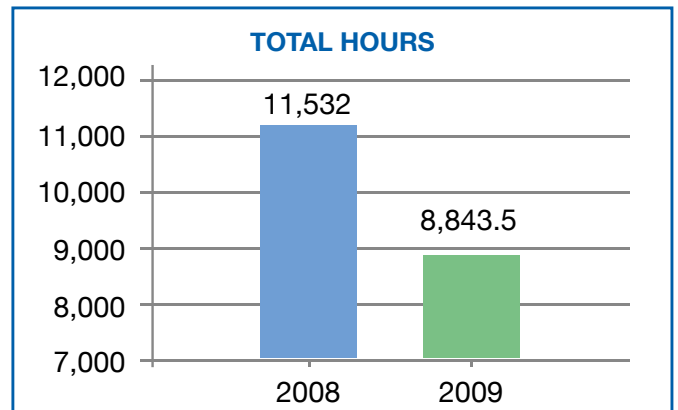
- Frequency: ratio between the number of accidents and the duration of the potential exposure to risk
- Incidence: ratio between the number of accidents and the average number of workers
- Severity: ratio between the number of actual days unable to work and the duration of potential exposure to risk
- Duration: ratio between the number of actual days of temporary disability and number of accidents
- Weight: ratio between the number of actual days of temporary disability and average number of workers

Training and professional development

The high level of competitiveness and the constant evolution that characterise the market in which Florim operates requires particular attention to the development of professional resources. The training programmes are therefore aimed at all levels of the hierarchy and are structured in such a way as to satisfy the various areas of technical and managerial development skills also taking into account the needs of new recruits, of

personnel subject to transfers or job changes and of those involved in regulatory, organisational or technological developments.

As a consequence of the current crisis and of the recourse to temporary layoffs, the percentage of hours of training with respect to the number of hours worked in 2009, equivalent to 0.62%, shows an increase over 2008, in which the ratio was 0.54%.



“Training the trainers” safety course

Safety has now become a fundamental theme, also as a result of Safety Decree 81, which updates and integrates the previous Decree Law 626/94, giving supervisors and employees a crucial role. Initially provided to the 47 chief department (supervisors) of the three Italian factories, the program was subsequently extended, involving a total of 921 persons for a total of 1,842 hours. A similar training program is planned for 2010, with the aim of continuing to promote safety in

the workplace. BS OHSAS 18001 certification, the main topic of the training activity, identifies risk factors existing in the various production units, protecting the employees from the dangers of their specific duties. BS OHSAS 18001 certification, which will be fully implemented at Florim by the end of 2010, makes it possible to achieve a valid “management system” necessary for reducing the risk factors existing in the workplace.

Training 2009 – Detail of course types and company areas

TRAINING COURSES 2009		
TYPE OF COURSE	HOURS	%
SAFETY	5,236.5	59
STAFF TECHNICAL TRAINING	1,571	18
REQUALIFICATION	1,096	12
COMMUNICATION AND SALES TECHNIQUES	586	7
NEW RECRUITS/JOB CHANGE	258	3
FOREIGN LANGUAGES	72	1
INFORMATION TECHNOLOGY	24	0
TOTAL	8,843.5	100

TRAINING COURSES 2009			
COMPANY AREA	TOTAL HOURS PER AREA	STAFF PER AREA	%
PRODUCTION	6,331	772	72
SALES	1,258.5	129	14
LOGISTICS	788	180	9
CENTRAL FUNCTIONS	273	47	3
LABORATORY	144	42	2
MARKETING	49	14	0
TOTAL	8,843.5	1,184	100

Sales: macro area managers, area managers, direct sales, promoters, customer service, key account, external training and projects division

Production: employees working in the factories

Logistics: shipping, warehouse, samples department

Central functions: administration, finance, management control, information systems, human resources department

Laboratory: research lab and technological lab, technical area and Florim services

Marketing: operative marketing, styling department, communication and training school

Internal retraining courses

In the current economic context, Florim has had to resort to periods of temporary layoffs (ordinary and extraordinary earnings supplementation) in order to overcome this period of crisis.

The company decided to take action also in the area of training. The year 2009 was thus characterised by a process of personnel retraining to increase skills and competencies of workers. In particular, the following courses were conducted:

- requalification courses on the ceramic production systems (such as automatic sorting, grinding, digital decoration and tintometric systems)
- courses for forklift and lift-platform operators, both to instruct personnel from other departments and to update experienced employees.

External retraining courses

In October 2009, the company initiated a significant retraining project for the personnel of the Mordano plant.

This was a result of an agreement between Florim and unions. The objective is to retrain internal personnel not only in terms of marketable skills in the ceramic sector but also in other contexts. The eighty people who participated in the project on a voluntary basis were involved in group meetings in which their initial skills were assessed and future expectations were evaluated. These data were processed and coordinated with the profiles most highly in demand in the labour market in the Imola area (a city close to Mordano), in order to develop a number of ad hoc training courses. The project was approved by the Province of Bologna and the training courses that will begin and develop during 2010 relate to different areas (e.g., logistics and warehouse, multimedia graphics, general maintenance, technical drawing).



Employees-suppliers social relationships – SA 8000

In 2010, Florim intends to extend its organisational system by taking into account and integrating further aspects of social responsibility in compliance with the international standard **SA 8000**.

SA 8000 certification is based on the conventions of the ILO (International Labour Organization) and is a voluntary certification standard for busi-

nesses that wish to guarantee to the market and to the community at large that its products are manufactured respecting a number of requirements, in particular the various areas of workers' rights (child labour, forced labour, freedom of association and collective bargaining, discrimination, compensation, etc.).

Support to the community and families

Intercompany Childcare Centre Project

The "Intercompany Childcare Centre Commission", instituted and coordinated by the Municipality of Fiorano with the participation of Confindustria Ceramica and the union associations of the sector, involves the presence of a number of companies in the industrial district, including Florim, that demonstrated interest in establishing a childcare centre dedicated to the one- to three-year-old children of employees.

The aim of the commission is to address different needs in a single project. On one hand, the Municipality needs to increase the number of places for children in the currently existing childcare facilities (insufficient to respond to all

the demands) and to find partners with whom sharing the high management costs that these facilities entail. On the other hand, there are the needs of the companies, which would like to provide their employees with a service with high added value, thus supporting a project of social responsibility that would reinforce the sense of belonging to the company, also thereby respecting the commitments made during the labour negotiations.

The meetings of the commission began in the month of November 2009 with the first feasibility studies, and will continue throughout the year 2010.

Facilitated financing

A further initiative in support of the personnel is the agreement undertaken with the Banco Popolare Group, which allows company's employees to access a type of "facilitated financing" (for an amount of about € 4,000), for which Florim will pay the first instalment.



Fair Trade Products

As of January 2009, the vending machines in the Florim premises include two fair trade products:

- a bar labelled with the international Fairtrade certification mark, managed by a non-profit organisation (Consorzio Fairtrade TransFair Italy) that promotes fair trade at the world-wide level and guarantees small producers fair prices, pre-financing, and long-term buying contracts (www.fairtradeitalia.it);
- a bar with ingredients from cooperatives of small producers in the southern parts of the world, with whom the price is negotiated directly; the snack is sold by Commercio Alternativo (www.commercioalternativo.it), which has always had the objectives of promoting self-sustainability and improvement of living and working conditions of these producers.

Modena Business Club for Corporate Social Responsibility (CSR)

In light of the various public and private initiatives carried out in the Modena region over last few years to promote Corporate Social Responsibility, the need arose to create a context in which single companies could get together to study issues and share ideas and know-how.

The Club Imprese Modenesi per la RSI (Modena Business Club for CSR) is a non-profit organization established in 2009 with voluntary membership and has the the following objectives:

- to facilitate opportunities for sharing and exchanging know-how, skills, and experiences on carried out and to be carried out CSR projects;
- to define projects to be developed as single companies and/or in partnerships;
- to spread over a corporate culture of CSR.



The initiative was developed by the Centro Focus Lab in conjunction with the Municipality of Modena, in collaboration with Emil Banca and various business and trade associations: Confindustria, Giovani Imprenditori, Confcooperative, Lega delle Cooperative, Confesercenti, Confcommercio, Lapam Federimpresa, CNA and the support of the Province of Modena.

In addition to Florim, the several member companies include some of the most important firms in the province: Tetrapak, Hera Group, Caprari, Conad, CMS, Tec Eurolab, Concorde Group, and so on.

Florim's activities within the Club, the results of which were included in our first Sustainability Report, have been on two levels: on one hand, we have provided consultancy to companies that wished to undertake the Report process, and on the other hand we have received information from those which had undertaken this process in the past. The exchange of skills showed to be effective and functional to the objectives of all concerned, so Florim decided to renew its membership in the CSR Club for 2010.



Initiatives with the world of education

Lucchese Award

The Lucchese Award reached its **twenty-second edition** in 2009. Established in memory of Giovanni Lucchese, a key figure in the world of technological research in the ceramic sector and father of the current Florim President Claudio Lucchese, the Award consists of a number of **scholarships** given to students of the "Alessandro Volta" State Technical Industrial Institute in Sassuolo who have earned their secondary school diploma with highest marks.

Organised by Florim Ceramiche in collaboration with the Italian Ceramic Society of Bologna, each year the award initiative hosts famous speakers who address issues of topical importance, meeting an audience of curious and interested youth. The relationship between education and business, sustainable development and the importance of the people-environment relationship are just a few of the topics addressed during past editions with guest speakers of the calibre of Andrea Parlangei (popular science author and advocate) and Armin Linke (photographer and artist).

In 2009, to give new impetus to the thread of a discussion already approached in previous

editions, the guest speaker was journalist and author Leo Turrini. Turrini has worked for many years in sports reporting for several newspapers, is considered one of the major experts worldwide of Formula One racing, and his work also focuses on football (soccer), biking and volleyball, as well as music, movies and culture. His talk, entitled "One for all and all for one: The talent of the individual and the strength of the team", took examples from the sport world to underscore the value of teamwork and the importance of placing one's talent at the service of the team.

In the current economic and social context, solidarity and the importance of working together to achieve common goals have become extremely crucial themes, and Mr. Turrini, with his typical passion and expertise, provided an outstanding reminder of this fact.

The 2009 scholarships were awarded to Gabriele Calderone (average marks 8.2, qualified chemist), Dario Dallari (average marks 8.73, scientific-technological diploma) and Matteo Lombardi (average marks 9.45, scientific-technological diploma).



From left to right:

Claudio Lucchese (President of Florim Ceramiche SpA), Gabriele Calderone (Lucchese Award 2009), Leo Turrini (journalist and author, host of the event), Gisella Lucchese (wife of Giovanni Lucchese and mother of Claudio), Dario Dallari (Lucchese Award 2009), Matteo Lombardi (Lucchese Award 2009), Paolo Zannini (President of Italian Ceramic Society), Alessandra Borghi (Headmaster of I.T.I.S. "A. Volta")

Milan Polytechnic

Starting from the 2005-2006 academic year, Florim has been the official sponsor of the Advanced Training Courses of Poli.Design, the consortium of Milan Polytechnic that manages the master's programme.

The master's specialisations offered are the following:

- New Entertainment Design
- Food Experience Design
- Pizza Experience Design
- Outdoor Experience Design
- Bathroom & Spa Design
- Hotel Experience Design

The sponsorship includes a number of scholarships assigned to the students. The parameters used for selecting the participants include the quality of the course of study undertaken, curricula vitae and a series of individual interviews. To the largest degree possible, Poli.Design aims to cover the enrolment fees by making available the highest number of scholarships (compatibly with donations from sponsors).

Communication

Internet and Intranet

Florim websites, updated in October 2009, were designed to include a function for enlarging the text size to respond to the needs of visually impaired persons.

The Intranet, an electronic communication

tool designed over the course of 2008 and implemented at the end of 2009, provides all employees who have access to a computer with complete, updated, and effective information on Florim and all its activities.

Diffusion of 2008 Sustainability Report

The 2008 Sustainability Report was spread with various methods to make it available to the largest possible number of stakeholders. Below is a summary of the main methods used:

- delivery to all the employees enclosed with the payslip
- PDF file placed on the company Intranet in a specially dedicated area called "Florim and Corporate Social Responsibility"
- PDF file placed on the website www.florim.it in the "Corporate Sustainability" section
- distribution to all companies member of the Modena Business Club for CSR
- copies delivered to all local institutions and trade unions
- copies sent to the trade press on the occasion of trade shows and visits to the company
- copies sent to the local press
- delivery to the most important customers and designers/architects during the main trade shows
- distribution to students of the University of Modena and Reggio Emilia, Economics Department, in a seminar specifically dedicated to the Florim Sustainability Report
- copies sent to the main national organisations/authorities/associations specialising on sustainability and environmental issues.

Customers

Classes of use: a service for customers

In all the Florim documentation, a product classification has been introduced based on the type of product use and application. The first and most immediate advantage of this classification is that it enables a more informed and faster selection and evaluation of the products, avoiding the risk of unsuitable applications.

The Florim classification system comprises six categories:

- IU** – Industrial and Urban, including industrial applications (warehouses, deposits, and factories) and urban furnishings
- HC** – Heavy Commercial, for public interiors or exteriors with heavy foot traffic (train stations, airports, shopping centres, hotels, sports centres)
- LC** – Light Commercial, for public interiors or exteriors with light to medium foot traffic (restaurants, offices, shops, patios)
- FS** – Fitness, Spas & Swimming pools
- RE** – Residential (bedrooms, living areas, hotel rooms, bathrooms)
- WT** – Wall Tiles, for interior and exterior walls

Organizer

The trust in research and the enhancement of the company's product portfolio, to convey it into the future and to the development of new design solutions, led Florim to deploy Organizer, to create an innovative system for conserving and presenting its history; a veritable library that communicates and transmits the culture of material and colour developed by the company over the years.

Organizer is an archive of information classified and subdivided according to precise conservational criteria that can be used through a software application specifically created to provide easy access to the enormous legacy available to users. It is a work tool that can be consulted on a daily basis and used for creating a dialogue with designers and architects that will continue over time.



Discounts – Transparency System

The system of discounts for the sale of material to customers follows a series of procedures that goes under the name Transparency. The underlying objective is to unify the discount policies, without reference to geographical zone or type of brand purchased, in a context of greater balance and transparency in relationships.

Quality System

Quality is the ability to satisfy stated or implicit needs by means of a product or service: this is the definition that was the starting point for the current ISO 9001 standards. This means that

quality is now increasingly cross-over, becoming a strategic element in every area and playing a crucial role as a competitive factor.

OBJECTIVE	INDICATOR	2008	2009
Improvement of control of the production process	First Choice Efficiency	92.0	92.5
	Quality Index	87.3	87.6
	Scrap	5.1	5.3
	Productivity	11.0	11.1
Improvement of sales performance and customer satisfaction	Customer Satisfaction Index	78.6	Not available
	Innovation Index	16.7	19.7
	Coverage	84.9	89.7
	Total portfolio shippable in one month	94.5	95.8
Optimisation of the product range and the warehouses	Obsolete products	14.7	16.8
	Rotation Index	1.5	1.2
Progressive elimination of complaints, disputes and claims related to service	Actual square metres contested	0.26	0.37
		(indicated 1.3)	(indicated 1.58)
	Claims by number of purchase order items	1.34	1.23
Progressive improvement of the professionalism of employees	Personnel rotation index	0.5	1.3

Legend

First choice efficiency

Percentage ratio between the square metres of first choice and the total square metres stored in the warehouse.

Quality Index

Percentage ratio between the square metres of first choice stored in the warehouse and the square metres pressed.

Scrap

Percentage difference between square metres pressed and square metres actually stored in the warehouse.

Productivity

Ratio between square metres stored in the warehouse and total hours worked in the plant.

Obsolete products

Percentage ratio between the square metres of lower choices / out of production and the total square metres in the warehouse.

Rotation Index

Ratio between square metres sold and square metres in stock.

Innovation Index

Ratio between the square metres sold belonging to series designed in the last three years and the total square metres sold. With this system, Florim intends to understand the effectiveness of the design process in relation to sales.

Coverage

Percentage ratio between square metres immediately shippable and square metres on order.

Total portfolio orders shippable in one month

Percentage ratio between square metres shippable in 30 days and square metres on order.

Actual square metres contested

Percentage ratio between actual square metres contested and square metres sold.

Claims by number of purchase order items

Ratio between the number of claims and the number of purchase order items present on the credit note that are recorded by customer service in the management system.

Personnel rotation index

Ratio between the number of employees who have left the company and are then replaced and the total workforce at the beginning of the year.

PART THREE – FUTURE COMMITMENTS

Economic Responsibility

- The primary objective for 2010 is to maintain a sustainable financial and economic profile, despite the crisis of the ceramic industry and the construction market.
- For 2010 the company also plans to continue disbursements to temporarily laid-off employees thanks to the funds of the Florim Managers Solidarity Association.

Environmental Responsibility

Florim undertakes also over the course of 2010 to:

- increase and launch innovative projects for products and processes that are eco-efficient and innovative
- fully implement the Environmental Management System as per UNI EN ISO 14001
- further reduce the impact of emissions, waste and energy consumption, including the purchase of a cogeneration turbine
- recovery of thermal energy from the firing cycle in order to reduce natural gas consumption.

Social Responsibility

- Full implementation of the worker Safety and Health Management System by adopting BS OHSAS 18001 certification.
- Initiating the procedures for "social" accountability certification according to the SA 8000 standard
- Economic support for social projects in the areas of assistance, sports, culture and training with various participants in the region.





PART FOUR - FLORIM USA SUSTAINABILITY REPORT

Profile

Florim USA was taken over by Florim in 2000 in Clarksville, Tennessee as a production and commercial facility. With a production plant that is one of the largest and most technologically advanced in the United States, Florim USA manufactures products targeted primarily at the North American market. The mission of Florim USA is to be consistently in the forefront of technology with innovation of processes and products and to satisfy market demand to the utmost degree.

Economic Responsibility

Florim USA (in USD)	2008	2009
Net revenues	68,859,760	70,094,422
Gross margin (EBITDA)	(6,603,918)	10,240,445
Operating profit	(12,402,519)	4,154,185
Profit after tax	(13,393,248)	1,776,391
Net financial debt	(406,395)	1,286,332
Net equity	11,999,115	45,013,123

Florim USA, thanks to a wise policy of cost reduction, the launch of new product lines and more direct contact with certain strategic customers in the U.S. market, was able to regain in 2009 more than satisfactory profitability and set the stage for further growth in upcoming years. This forecast is reinforced by signs of a recovery in the North American market, conveying optimism for the future. After recording a loss of USD

13.4 million in 2008 light on consolidated revenues of USD 68.9 million, over the course of 2009 the American companies showed an inversion of trend: Florim USA, Inc. and its subsidiary Florim Solutions, Inc. recorded consolidated profit for USD 1.8 million, revenues growing to USD 70.1 million and a strengthening of the balance sheet, with net equity increasing from USD 12 million in 2008 to USD 45 million in 2009.

Environmental Responsibility

Florim USA adheres to the Florim environmental policy and is committed to achieving the same objectives:

- reduction of energy consumption in the production processes
- improvement of the management of wastes, their recovery and re-use
- introduction of new and more eco-efficient technologies
- adoption of integrated management systems

The U.S. plant, like its Italian counterparts, adopts the approach of continuous improvement, with management procedures aimed at reducing the environmental impact throughout the various phases of product life cycles according to local and national environmental regulations and using the best technologies available.

Environmental management system and eco-compatible products

Florim USA produces ceramic tiles that contribute to earning points according to the requirements of the Green Building Rating System, the system of certification for sustainable buildings established by the USGBC (United States Green Building Council), one of the most widely applied in the American construction market. The rating system evaluates and certifies the sustainability of a building in its entirety, from the design stage to its day-by-day management (*for further information, see page 26*). Specifically, a number of Florim USA product lines contain a significant percentage of pre-consumer recycled content in relation to weight (from 20% to 40% and more). These include: Antelope Canyon, Corfinio, Cumberland Plateau, Durango, Hampton, iStone, Stonefire, Tundra, Wish, and Woodlands.

Environmental performance indicators - Summary

Below is a summary of the main environmental indicators related to the various types of impact and the performance of Florim USA in 2009.

Material recycling

Post-consumption recycled material: glass products from the recycling operated in Montgomery county. In 2009, 261,363 kg of these vitreous residues were recovered and recycled.

Pre-consumption recycled material: approximately 45% of the mass of the majority of the products' bodies consists of scrap materials generated internally (fired and unfired tiles, glaze scraps, etc.) and of secondary products purchased externally.

The pre- and post-consumption recycled material used in production would otherwise end up in landfills.

Energy consumption

Gas: 618,752,600 cubic feet

Electricity: 39,129,600 kWh

Water consumption

15,735,100 gallons from the municipal water system

Water recycling

There is no water discharge since the water cycle is a closed loop within the production process.

Emissions

TSP (Total Suspended Particulates) – 95 tons/year

SO₂ (Sulphur dioxide) – 106 tons/year

VOC (Volatile Organic Compounds) – 80 tons/year

NO_x (Nitric oxide) – 88 tons/year



Social responsibility

Employees

The workforce of Florim USA, employed at the production site in Clarksville and the logistic centre in Atlanta, is represented by 261 employees, of which 66 are in office and 195 in production. Other than these, 12 Italian employees also work in Florim USA.

In 2009, 52 employment relationships terminated, equivalent to 20.6% of the total employees, a much lower figure than previous years.

	2008	2009
Employee turnover	31.9%	20.6%

The contract in effect at Florim USA provides for various benefits for full-time employees:

- medical and dental insurance
- vision coverage, in which employees can enroll to purchase eyeglasses and have eye exams at a discounted price
- life insurance
- support for temporary and permanent disability.

Equal opportunity

Florim USA does not practice any type of discrimination.

In compliance with U.S. law, there are no differences between salaries for men and women who perform the same duties.

Health and Safety

With regard to safety, Florim USA has appointed a safety manager in its production facilities and is planning to establish a health and safety committee that will include various persons working in the company.

In 2009, 42 accidents were recorded, only 10 of which required medical treatment or caused a temporary inability to work. The figures show an improvement with respect to the previous year.

	2008	2009
Number of accidents	50	42

The Employee Assistance Program (EAP) also offers support to employees and their families in cases of psychological problems, addiction and other difficulties that may have a negative impact on their quality of life. Florim USA fully bears the costs of this programme.

Training

The employees of Florim USA are involved in two hours of training per year on average. The courses carried out in 2009 related to various topics, including:

- use of forklifts
- management of hazardous materials
- introduction to Microsoft Windows 7

Florim USA also offers its employees a tutoring and assistance programme in which the company covers the costs incurred for post-secondary school training (university or technical training). The courses attended must fall within a degree course or professional training programme that enables the employee to advance his or her career within the company. The costs for attending the courses are initially borne by the employee and subsequently reimbursed upon consistent earning of good marks.

Community initiatives

During 2009, Florim USA continued its support of various community initiatives. Some of the main initiatives are:

- an economic contribution to Austin Peay State University by sponsoring three scholarships in memory of Giovanni Lucchese, for a total amount of \$4,500
- participation in the United Way Drive, to support local non-profit organisations that provide financial assistance and psychological support to handicapped
- on-site blood donations in support of the American Red Cross
- a partnership with Austin Peay State University that has made it possible to establish an internship for students in the Ceramics and Applied Chemistry programs
- donations to the National Kidney Foundation
- the donation by employees of used books for children and youth to Austin Peay State University
- the donation of materials to Habitat for Humanity, a non-profit organisation that builds and restores houses for the needy.

Quality System

Florim USA operates with a Quality System in accordance with the UNI EN ISO 9001 standards. The table below provides some summary data.

OBJECTIVE	INDICATOR	2008	2009
Improvement of production process control	First choice efficiency	93.4	93.4
	Quality Index	87.3	86.7
	Scrap	6.4	7.5

Legend

First choice efficiency

Percentage ratio between the square metres of first choice and the total square metres stored in the warehouse.

Quality Index

Percentage ratio between the square metres of first choice stored in the warehouse and the square metres pressed.

Scrap

Percentage difference between square metres pressed and square metres actually stored in the warehouse.



Evaluation Form - Suggestions
Florim Sustainability Report – 2009

With the aim of improving future editions of the Florim Sustainability Report, please take a few minutes to give us your evaluation and any suggestions that you may have after reading this second edition.

Category of stakeholder/reader of the Report:

- | | | |
|--|---|---|
| <input type="radio"/> Customers | <input type="radio"/> Employees | <input type="radio"/> Suppliers |
| <input type="radio"/> Trade unions | <input type="radio"/> Volunteer organisations | <input type="radio"/> Public institutions |
| <input type="radio"/> Private citizen | <input type="radio"/> Banks | <input type="radio"/> Media |
| <input type="radio"/> Education and training | <input type="radio"/> Other | |

Mark your rating with X in the selected evaluation box.

	Poor	Sufficient	Fair	Good
Contents and writing				
Clarity of the organisation of the parts				
Completeness of the information				
Legibility				
Graphics				
Balance between texts, tables, and images				
Aesthetics				
Commitments undertaken				
Economic responsibility				
Environmental responsibility				
Social responsibility				
Usefulness				
New knowledge about Florim				
New knowledge about the themes of Corporate Social Responsibility and Sustainability				

Areas in need of improvement / Suggestions

Kindly send this evaluation form to the Florim Communication Office:

- by mail to Florim Communication Office
via Canaletto, 24 – 41042 Fiorano Modenese (MO) - Italy
- by fax: +39 0536 840427
- by email: comunicazione@florim.it

GRI international sustainability indicators

The information below illustrates the correspondence between the Florim Sustainability Report 2009 and the international GRI guidelines, providing references to the section of the document where further information can be found.

The list of indicators refers only to the part of the Report regarding Florim Italia.

Strategy and analysis

- 1.1 Letter to the stakeholders
- 1.2 Responsibility and Sustainability 2009 – Summary of results
- 1.2 Future Commitments

Organisation profile

- 2.1 – 2.7 Florim in brief
- 2.8 Economic Responsibility
- 2.10 Florim in brief

Report parameters

- 3.1 – 3.3 Methodology
- 3.4 Colophon
- 3.5 – 3.11 Methodology

Governance, commitments, and involvement of stakeholders

- 4.8 – 4.9 Corporate Governance
- 4.12 Corporate Governance
- 4.13 Social Responsibility
- 4.14 Corporate Governance

Economic performance indicators

- EC1 Economic Responsibility
- EC2 Environmental Responsibility
- EC8 – EC9 Economic Responsibility

Environmental performance indicators

- EN1 – EN8 Environmental Responsibility
- EN10 Environmental Responsibility
- EN16 – EN18 Environmental Responsibility
- EN21 – EN24 Environmental Responsibility
- EN26 – EN27 Environmental Responsibility
- EN29 Environmental Responsibility

Social performance indicators

- LA2 – LA4 Social Responsibility
- LA6 – LA8 Social Responsibility
- LA10 – LA11 Social Responsibility
- LA13 – LA14 Social Responsibility

Glossary

Sustainability Report. An instrument of communication and dialogue with corporate stakeholders that aims to provide information on the company's profile and its economic, social, and environmental performance. Preparing the report is voluntary, and it integrates the annual financial statement.

Cash Flow. Cash Flow is the reconstruction of the monetary flows (difference between incoming and outgoing cash) of a company within a specific period of analysis. Cash Flow represents a measure of corporate self-financing and can be calculated based on the company income statement.

EU Ecolabel environmental certification of products. The Ecolabel is a voluntary certification granted to products that, throughout their life cycle, respect ecological and performance criteria established at the European level: extraction of raw materials, selection of suppliers, production processes, packaging, distribution, use, waste disposal. Attaining the Ecolabel is a certification of excellence issued only to products that demonstrate having a reduced environmental impact.

ISO 14001 Environmental certification of processes. This is a certifiable standard attesting to compliance with certain procedures of environmental management established at the international level. Requesting ISO 14001 certification is a voluntary decision of a company that wishes to improve its environmental management system.

BS OHSAS 18001 Safety standard certification. The BS OHSAS 18001 standard (Occupational Health & Safety Assessment Series) is an internationally recognised reference for the certification of a system of management practices oriented towards safety and health in the workplace.

Code of ethics. A declaration of the principles and values that guide a company in its daily operation: all those involved in the company at the various levels are expected to comply with it. It specifies the company's intentions regarding social responsibility and the methods used to put into practice the stated principles and values in the various production, commercial, and relational activities.

Corporate governance. Corporate governance refers to the set of management and administration procedures of a company, from the way it is organised to the methods of operation of the Board of Directors, as well as the relationships that take place between the ownership, the Board of Directors, and management. The areas regard the composition of the governance bodies, the selection criteria for board members, the role of the independent board members (e.g., auditors), transparency in relation to the functioning of the governing bodies, protection of minority shareholders, the internal control systems (audits). In Italy, the most recent regulatory document is D.Lgs. 231/2001.

GRI (Global Reporting Initiative). A multistakeholder organization that develops guidelines at the international level for the application of principles and methods of integrated reporting on sustainability in its economic, environmental, and social dimensions.

LEED. The LEED standard (Leadership in Energy and Environmental Design) comprises parameters designed to promote sustainable building, developed in the United States and now applied in 40 countries worldwide. LEED certification applies a system of evaluation of buildings in six categories: sustainability of the construction site, water management efficiency, energy balance, atmospheric emissions, selection and storage of materials and resources, quality of the interior environments, and design innovation.

Social and environmental reporting. Implies the responsibility to clarify and justify what the company is doing to demonstrate its own declaration of principles and to respect the commitments made with the stakeholders, on both the economic and the social-environmental levels (therefore, towards customers, employees, suppliers, public administrations, environment). Various models of reporting are used; the GRI is one of the most authoritative and complete.

Corporate Social Responsibility. Corporate Social Responsibility (CSR) is defined in general terms by the European Union as "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

Sustainable Development. In 1987, the United Nations defined sustainable development as development that is able to meet the needs of the present without compromising the ability of future generations to meet their own needs. The concept refers to models of development that aim at greater balance between the social, economic, and environmental dimensions, with synergistic actions of technology, regulations, responsible behaviour, economic instruments, and a participatory and collaborative role of businesses, civil society, and public institutions.

Stakeholders. The group of subjects whose interests are directly or indirectly involved in the management of a company, due to the possible external effects, positive or negative, of its activities. Stakeholders include employees, customers, suppliers, local authorities, non-profit associations, the world of research and education, business associations, trade unions, the local community, the region, and the environment.

Value Added. Method of calculation that measures the wealth produced by the company in its operation with reference to the stakeholders that participate in its distribution.



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