



Sustainability and Social Responsibility Report

2011

4th Edition

FLORIM





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By

Florim Ceramiche SpA

Financial and Supervisory Offices

Office of Communication – editorial coordination

We thank all staff members who have contributed.



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Florim Ceramiche – Headquarters (Fiorano Modenese, MO - Italy)



Letter to our stakeholders

This year is the 20th anniversary of the Summit for Sustainable Development and I am very proud to present the Fourth Edition of this project, which is constantly being enriched in terms of content. Also, in this uncertain economic and financial climate, it has helped us reassess our business approach and pay more attention to the human component and our local area.

In order to encourage information transparency and increase awareness of social responsibility for all members of the company, an Ethics Code was approved and distributed in 2011; this critical tool enables the sharing of common principles and values.

I am very pleased to present the overall results which show that the company is healthy. I am also happy to announce that, in the third year of our investment plan, we have almost completed the updating of our production systems as well as the removal and rebuilding, at the Fiorano plant, of over 40,000 square meters of old hangars which are now covered by more than 16,000 square meters of high-tech solar panels. It is additionally very satisfying to see improvements in our economic results as well as in our workplace and the impact we have on the environment.

Nonetheless, unfortunately I find myself working, together with the core part of the Group, in a country where red tape continues to dampen initiatives and obstruct those few companies which, despite the continuing uncertain economic and financial climate, still have the courage to invest in Italy.

However, I like to delude myself that tools like this can good effect and I am proud to emphasize how the company is investing in large scale research, production innovation and energy savings projects. Examples of this are our collaborations with Universities, buying new production technologies and ongoing investments in renewable energy.

Our group's commitment to social responsibility can also be seen in the efforts made to promote company welfare initiatives and a new project to hire young people within the company.

We believe that these results are a platform from which we can build even more ambitious plans for the future and which we intend to bring to your attention in future reports.

Enjoy the reading.

Claudio Lucchese

President of Florim Ceramiche SpA

Florim Sustainability Report

Purpose

The Sustainability Report is a periodic and voluntary reporting document which summarises a Company's results and activities, containing not only financial and accounting data but also integrating environmental and social aspects within a framework of overall sustainability. This type of initiative arises from the need to engage in dialogue with different categories of people, defined as stakeholders, who have an interest in knowing about the company activities that directly or indirectly affect them. For Florim the preparation and distribution of this tool thus means transparency in communication, explaining the results it has achieved and sharing its plans for the future with its stakeholders.

Preparation

Our Sustainability Report is now in its fourth year and is compiled every year in order to promote corporate social responsibility both within and outside Florim with a view to listening, making comparisons and continuing to improve.

The contents of this edition, as in the past, were determined by using the themed sections and indicators suggested by the Global Reporting Initiative (GRI), the most influential international guidelines for reporting environmental, economic and social sustainability, and the Gruppo Bilancio Sociale (GBS) (Group for Social Reporting) for the section regarding Value-Added calculations. It was decided to introduce new reporting parameters in this latest edition and some indicators have been implemented in the section dedicated to "Governance" and in the "Organizational Profile" part. These changes allow us to improve the tool and reach application level C as defined by the GRI.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	Report Externally Assured	Same as required for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor Society, Product Responsibility.		Report on each core G3 and Sector Supplement* indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission	

This report includes all the companies in the Florim group and uses the consolidated financial statements to aggregate figures for the whole group. The data listed in the second part is dedicated to our Italian offices while the fourth part consists of a Sustainability Report summary for Florim USA. The reporting process was coordinated by Florim's Communications Department and supervised by the Finance Department together with vital contributions from many colleagues. In particular, utilizing computerized support, staff from Management Control, the Personnel Office and the Administration Office compiled and produced an update of the requested information.

Distribution

The Sustainability Report 2010, 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 offices
- uploading the PDF file onto the company intranet site, in the section "Florim and Corporate Responsibility"
- uploading the PDF file on the florim.it web site in the "Corporate Sustainability" section
- distributing it to all the corporate members of the Modena Business Club for Corporate Responsibility
- sending it to local institutions and the relevant trade union representatives
- sending it to the industry press during fairs and site visits
- sending it to the local press
- sending it to Florim's key customers and designers during the major trade fairs
- sending it to the main domestic agencies/authorities/associations involved in issues related to sustainability and the environment.

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**.
- 2011** A logistics hub opened in **Brazil**.

Florim today

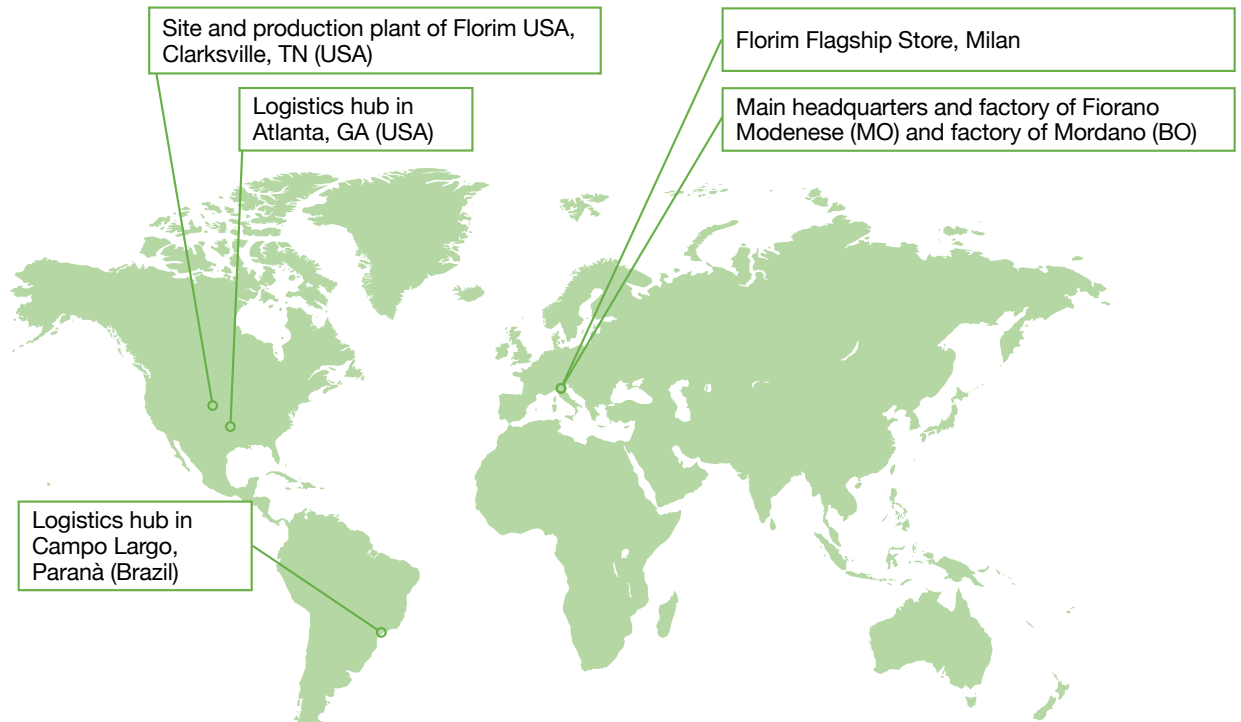
Florim group employs a staff of 1300 individuals around the world. In 2011, the staff generated consolidated revenues of more than 300 million euro and achieved production of 21 million square meters in the same year.

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

Florim's value is also expressed in the work of Florim Solutions, a branch of the Projects Division. Its technical staff is made up of specialized personnel who can ensure 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 map highlights the production facilities, the logistic hubs and the showrooms of the group. Florim's commercial brands have been chosen by the best clients and importers throughout the world. The map highlights two important changes compared to the previous year: the opening of a new logistics hub in Brazil to develop business in this Country and the license to rent a plant in Fiorano Modenese.



The brands



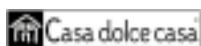
Floor Gres is the brand devoted to architectural design. Different materials and surfaces make this product highly durable with high tech performance. The range of Floor Gres products can meet the needs of design and the technical aspects and eco-compatibility of contemporary architecture.



Rex is the brand that epitomises elegance and beauty and draws its inspiration from natural and precious materials (leather, horn, wood, marble and stone); coordinated floors and wall tiles where surfaces interact to generate a new language of living.



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



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 natural surfaces. The rich and refined materials achieve a fine balance between the traditional and contemporary.



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



Florim USA is the brand of the American subsidiary: products in porcelain stoneware for residential and commercial properties, manufactured in the factory in Clarksville (Tennessee) and designed to provide for the taste of a broad market segment.

Commitment to innovation and going green

New logo

In order to reinforce the company's commitment to the environment, on the eve of its 50th anniversary, the Florim logo turns green.

For many years now company operations have been geared towards improving in terms of impact on the local areas and the environment. Thanks to the commitment of our research labs, the support of all our employees and recent investment plans, tangible results have been achieved which have resulted in the latest environmental certifications (UNI EN ISO 14001).



The section dedicated to environmental sustainability illustrates indicators and company performance in detail and the summary below shows the key environmentally friendly initiatives carried out by the company.

Research and development activities	The commitment from our laboratories has created products with a contemporary design and a green heart. In its range of products Florim offers several collections made mainly of recycled materials and which are Ecolabel certified.
New special projects	Commitment to innovation for Florim also means researching new solutions with a low environmental impact. The latest company project, Slim/4+ by Florim, was created in order to offer the market a revolutionary product which was green at heart.
Optimization of industrial processes	In completing the production process, we paid close attention to waste management, total recovery and re-use of wastewater as well as CO ₂ emissions.
Energy savings	The production side of the investment plan has seen considerable resources committed to the building of: <ul style="list-style-type: none"> • a plant for the co-generation of electricity, in operation since March 2011 • installation of over 16,000 square meters of the latest generation solar panels. The first section, with a capacity of nearly 2011 MW, was completed in 1 and connected to the network in October. These two projects will allow the company to reduce its electricity consumption by about 65% of the total annual requirement.
Raising Awareness and Training of employees	During 2011 several internal communication initiatives were implemented (also improving labeling for differential recycling) and training modules were provided for Florim employees to make them more aware of green policies and the management of environmental emergencies. Since 2011 the company has also promoted an experimental project for sustainable mobility called home-to-work transportation. In 2011 the Florim Ethics Code was approved and distributed with a section dedicated to Environmental Responsibility.
Other activities	When fulfilling tasks carried out by the communications and marketing departments we have tried to minimize the use of raw natural materials, such as paper, by: <ul style="list-style-type: none"> • using USB keys and Touch Screens at fairs and events and at our retailers to reduce the use of paper merchandising • using FSC certified paper for certain equipment The company is also equipped with IT systems for virtualizing documents, such as invoices, delivery notices and faxes so that they do not require the use of printed paper. In 2011 driers were installed in all the bathrooms in the factory in Via Canaletto that are environmentally friendly and replace paper towels.

New facilities

2011 represented a new phase for Florim in its quest for technological research, process efficiency and production capacity.

The main operations at Florim plants involved:

- Installation of a new PH 10,000 press, the most powerful machine on the market today, which has made the manufacture of a new 80cmx180cm format possible.
- Installation of a new supply system for raw materials, in preparation for storage in the main silos, where they undergo wet grinding. This investment has enabled rationalizing all the neighboring areas and has improved road conditions for transportation vehicles.
- Installation of new generation six station digital decoration machines.
- The creation of a new chemical and research laboratory.

2011 was an important milestone for several energy related investments, in particular:

- In March a new co-generation plant was engaged comprising of a gas turbine supplying 6.5 MW of electric power to provide both electricity and heat.
- Around 40,000 square meters of old buildings with Eternit roofs were demolished and rebuilt and more than 35,000 square meters of new hangars to be used as warehouses and units housing samples and a showroom are currently being built.
- White certificates for energy savings were granted thanks to energy recovered in several plants.

New formats

Thanks to recent investments in technology and research carried out in Florim labs we have created a brand new format: **80 cm x180 cm**.

The company presented this new format, synonymous with research, innovation and design, and which is used in four of the Group's different collections, at Cersaie 2011.



Totem "I marmi di Rex" 80 cm x 180 cm



Florim "Touch Screen Interior Planner" System for the customized configuration of the spaces

Slim/4+ by Florim

In 2009 Florim launched Slim/4 on the market: Slabs of thin porcelain tiles. Research into this thin product continued throughout 2010 to improve the technical performance and design of the slabs. Two years later the product evolved into a floating installation project. The Slim/4+ product allows:

- greatly reducing the costs of installation
- avoiding the demolition of the existing floor and thus its disposal
- minimizing transportation costs
- removing and re-using the materials

Visit our website www.florim.it for more information.



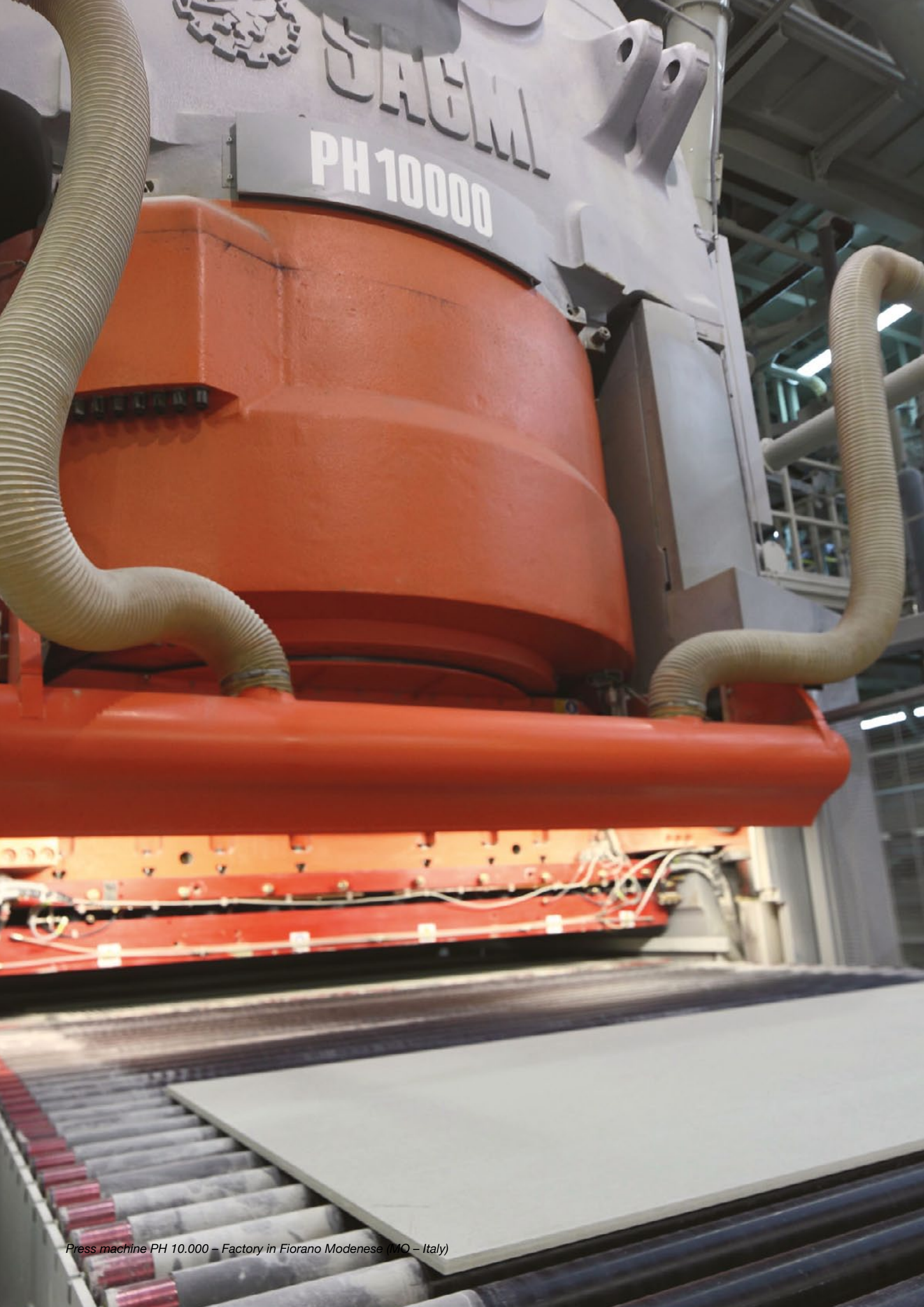
Slim/4+ project

Acknowledgements

In 2011 we were awarded, for the second year running and thanks to our 2009 Sustainability Report, the prestigious “Premio RSI – Responsabilità Sociale d’Impresa in provincia di Modena” (CSR Prize – Corporate Social Responsibility in the Province of Modena) for the “Rendicontazione e Comunicazione ambientale e sociale” (Environmental and Social Reporting and Communication) category, a first for the ceramics 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 for information and dialogue to all stakeholders.

This is why the Sustainability Report is published each year, in 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.

In 2011, Florim’s Sustainability Report also received a special award at the first District Festival for Green Economy in the Green Management category.



PH 10000

Press machine PH 10.000 - Factory in Fiorano Modenese (MO - Italy)

PART ONE – GOVERNANCE

Code of ethics

In order to encourage information transparency and increase awareness of social responsibility in all members of the company the Board of Directors of Florim approved the Ethics Code and the Organization, Management and Control Model on May 18, 2011, in compliance with Leg. Decree 231/2001.

The content approval and sharing process led to a new mission/vision and the drafting of new shared values, which are listed below.

Our mission

Our company aims to produce porcelain tiles and materials for multiple uses and propose the most appropriate solutions for furnishings and architecture. Florim does this in a perspective of eco-sustainability, attempting to meet the needs of its customers and creating value for shareholders, employees and the territory, well aware of the need to respect the ethical principles and rules of conduct expressed in this Ethics Code.

Our vision

To be on the cutting edge of technical and aesthetic innovation in ceramics, researching the materials and production methods that make them a point of reference for customers, designers and competitors.

Our values



Honesty and respect: ensure that all internal and external relationships are based on honesty and respect for the rules and dignity of the individual.

Corporate social responsibility: promote corporate sustainability, establishing measures and actions to support the environment, community and territory.

Individual responsibility: understanding the value and effect of one's actions.

Quality and innovation: pursue excellence by improving products, processes and skills, to promote corporate success.

Clarity: open communications and dialogue, in order to build honest and lasting relationships, inside and outside the company, without misunderstandings or ulterior motives.

Courage: moral strength that helps us cope with changes, difficulties, and challenges and the ability to seize every opportunity.

Sense of belonging: the feeling of pride of being part of a team made up of the company, associates, customers and suppliers.

Supervisory Board

The Supervisory Board was set up to ensure the implementation of and compliance with the abovementioned principles; this board must record any non-compliances and be notified of any irregularities or violations of the Ethics Code and the Organizational Model. All employees, shareholders and stakeholders can contact the supervisory board, even to clarify any doubts regarding the interpretation and application of the corporate Ethics Code. The procedures and communication channels used to reach the members of the supervisory board have been published on the intranet and our corporate website.

The corporate structure

Corporate Governance

Share Capital of Florim Ceramiche S.p.A., issued and fully paid-up, currently stands at 23,400,000 euro and is composed of 23,400,00 ordinary shares with a nominal value of 1 euro each. The shares are fully owned by financial holding company FinFloor S.p.a., based in Fiorano Modenese, which is in turn indirectly owned by the Lucchese family through Fin-Twin S.p.A.

The Board of Directors of Florim Ceramiche S.p.A. is composed of the ten members listed below:

CLAUDIO LUCCHESI	<i>President and CEO</i>
CARLO LUCCHESI	<i>Vice President</i>
MARIADELE LUCCHESI	<i>Director</i>
ANNA LUCCHESI	<i>Director</i>
OSCAR ISEPPI	<i>Executive Director</i>
GIOVANNI GROSSI	<i>Executive Director</i>
DONATO BRUNI	<i>Executive Director</i>
ERMES GIUSEPPE FERRARI	<i>Executive Director</i>
EUGENIO MARIA EMILIANI	<i>Executive Director</i>
DORVAN SAZZI	<i>Executive Director</i>

The Board of Directors has a mandate of one year and new elections will coincide with the approval of the 2011 financial statements.

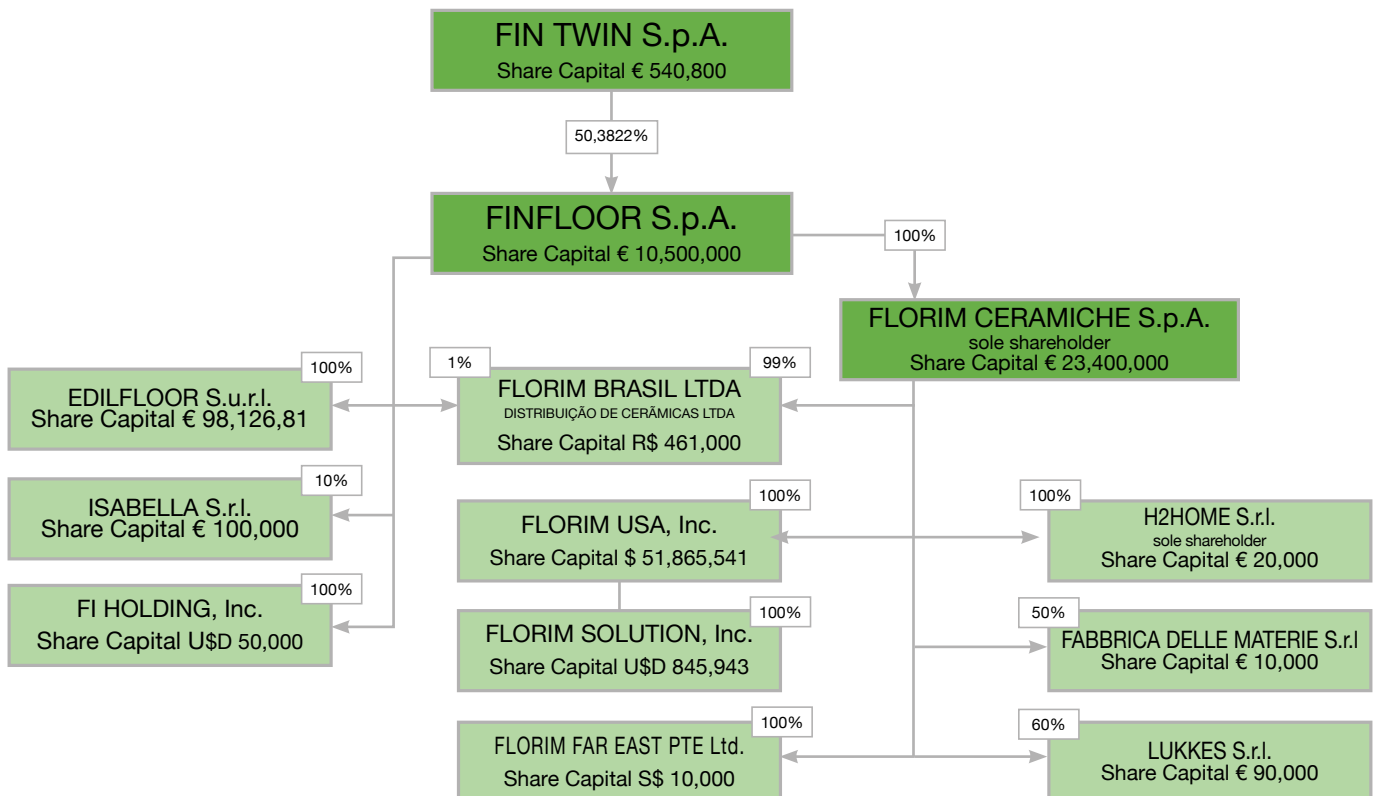
The Board of Auditors is composed of three members whose term of office is three years - starting from nomination on 5/13/2010 until approval of the 2012 financial statements.

The financial statements of Florim S.p.A. and the consolidated financial statements of Finfloor S.p.A., are audited and certified by Deloitte S.p.A.

Corporate Structure

The following key changes have been made to the group's corporate structure with respect to 2010:

- Merger of Casa dolce casa S.p.A in Florim ceramiche S.p.A.
- Setting up of Florim Brasil LTDA.
- Purchase of 60% of Lukkes S.r.l.
- Logistica Inc. liquidation



Florim stakeholders

Stakeholder, is meant as all the 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. Shareholders, employees, clients, suppliers, institutions, environment, local communities, banks, labor unions.

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 create safe work spaces and work processes
- to ensure transparency and clarity in the contractual conditions
- to ensure open communication and exchange within the company

Customers

In dealing with its customers, Florim is committed:

- 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

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

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

Suppliers

When selecting its suppliers Florim pays close attention to companies' CSR practices. For this reason Florim has asked suppliers to fill in a questionnaire which provides a score by which the vendor can then be assessed.

Evaluation of our report

In order to collect readers' opinions and ensure the tool is constantly being improved we have added an evaluation form at the end of the Sustainability Report (in Italian and English) and on our corporate sites (florim.it, florimsolutions.com and florimusa.com) in different languages.

The analysis of this data has provided very positive results, the highest marks going to "structure", "appearance" and the section dedicated to "Social Responsibility". "New understanding of Florim" and the section on "Environmental Responsibilities" received the lowest scores. The last section of the form, "improvements/suggestions" did not contain any comments on changes that needed to be made so we focused on the areas that had received lower scores in order to improve our Report. This year we have added a table that summarizes green initiatives in the first pages of the document and we have expanded the section on Governance.

Thanks solely to the feedback from our stakeholders this sort of tool can continue to improve. We therefore invite all our readers to send us suggestions and comments so that we can continue to refine the document.



PART TWO - REPORTING

In brief

Economic profile

Finfloor consolidated figures (amounts in Euro)	2008	2009	2010	2011
Net revenue	330,637,000	259,675,000	273,822,000	304,612,000
EBITDA	23,923,000	35,798,000	41,835,000	53,265,000
Operating income	3,492,000	15,324,000	20,434,000	30,213,000
Gross Cash Flow	16,300,000	24,400,000	40,064,000	47,170,000
Net Income	(8,128,000)	3,445,000	14,790,000	17,824,000
Net financial debt	(215,270,000)	(192,840,000)	(166,640,000)	(149,737,000)
Closing inventory	165,353,000	137,231,000	130,367,000	117,002,000
Net shareholders' equity	115,919,000	129,123,000	144,181,000	167,202,000
Investments	21,580,000	13,602,000	30,874,000	38,863,000

Environmental profile*

	2008	2009	2010	2011
CO ₂ emissions	135,000 t	74,000 t	86,610 t	92,500 t
CO ₂ emissions (t) / Finished product (t)	0.33	0.29	0.31	0.29
Waste products	38,342 t	37,470 t	30,644 t	26,237 t
Recycling and reuse of the waste	98.60%	99.20%	99.10%	98.70%
Total water consumed (m ³) / Finished product (t)	0.71	0.88	0.80	0.76
Recycled water percentage	100%	100%	100%	100%
Self-generated electricity as compared to need	23%	16%	22%	55%
Investments for environmental management	1,558,000 €	2,221,000 €	2,426,000 €	9,866,549 €

Social profile*

	2008	2009	2010	2011
Number of employees at December, 31	1,310	1,234	1,151	1,058
Total number of training hours	11,532	8,843.5	11,309	9,175
Number of hours of training on environment and safety issues	3,367	5,236.5	3,011.5	2,871
Number of workplace accidents	121	77	78	81

* Environmental and social data referring to Florim Italia. See Florim USA, in the designated section.

Economic responsibility

Comments on the business figures

Although operating in what is still a very uncertain climate the Gruppo Florim once again achieved very positive results in 2011.

From the figures provided what stands out is the 11.2% increase in earnings and an EBITDA of more than 53 million euro, equal to 17.4% of the earnings, together with a drop of more than 16 million euro in terms of inventories and the same amount again for its net financial position, despite investments made during the year of more than 38 million.

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

In 2011 Florim once again invested more than 38 million euro, mainly in demolishing and rebuilding 40,000 square meters of hangars which are now covered by a high tech solar panel system providing an overall power of 2.7 MW, of which 1 MW was connected in November 2011. The project will draw to a close with the connection of 1.7 MW, planned by the end of June 2012, and the opening of an events and image promotion center measuring more than 9,000 square meters.

The 2012-2013 investment plan also contains the building of a vertical warehouse at the factory at via Canaletto and the renovation of part of the American factory of Florim USA.

Florim is therefore still making significant investments, despite the most difficult 4 years the ceramics industry has ever seen, and has invested more than 100 million euro, most of which, in addition to the abovementioned building work, has been spent on renovating the grinding and atomizing unit of the factory at via Canaletto in Fiorano, in the installation of a co-generation plant, a double channel kiln, the new PH 10000 press, new cutting and polishing lines and a number of machines for the digital decoration of products.



Florim booth at Cersaie 2011 (Bologna – Italy)

Value Added

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

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

Measurement of Value Added

This section of the Report 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:

- **Gross Value Added (GVA)**, which is obtained from the difference between the production and the intermediate costs of production:
 - The total 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.
- **Total 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 occasional 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	2011
Revenue from sales and services	290,775,728	211,636,425	217,334,115	242,323,586
Other revenue	3,741,085	4,428,832	3,406,349	4,411,164
Change in inventories of products and semi-finished goods	6,127,287	(15,687,343)	(6,494,452)	(11,169,395)
Total value of production	300,644,100	200,377,914	214,246,012	235,565,355
Raw materials costs	82,902,277	45,746,312	54,800,407	59,579,008
Change in raw materials and ancillary materials inventories	(4,853,744)	3,900,403	1,020,689	2,751,274
Costs of services	112,162,053	61,286,184	65,214,748	72,266,738
Costs of outsourced services	3,961,044	3,169,410	3,215,023	3,653,563
Other operating expenses	3,798,982	2,904,393	3,869,990	4,952,398
Intermediate costs of production	197,970,612	117,006,702	128,120,857	143,202,981
Characteristic Gross Value Added	102,673,488	83,371,212	86,125,156	92,362,374
Accessory charges and income	8,727,785	290,513	3,718,253	(27,162)
Extraordinary charges and income	(113,329)	11,995	(1,239,884)	(2,982,207)
Extraordinary and accessory components	8,614,456	302,508	2,478,369	(3,009,369)
Total Gross Value Added	111,287,944	83,673,720	88,603,525	89,353,005

Distribution of the Value Added

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

a) **Employees and other associates of the company**

Wages and salaries, benefits, pensions and insurance costs, severance benefits, retirement indemnities and other immaterial costs.

b) **Company**

Undistributed profits, provisions, amortization, depreciation and write downs.

c) **Capital providers with 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**

Economic benefit acquired by the government (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	%	2011	%
Employees and other associates of the company	75,593,167	68%	55,561,964	66%	56,256,556	64%	54,608,187	61%
Company	17,431,020	16%	15,291,803	19%	19,834,032	22%	20,997,353	24%
Capital providers with explicit interest	13,301,266	12%	8,511,540	10%	6,577,505	7%	6,408,020	7%
Government	4,962,491	4%	4,308,413	5%	3,940,433	5%	7,339,445	8%
Stockholders	0	0%	0	0%	1,995,000	2%	0	0%
Total Gross Value Added	111,287,944	100%	83,673,720	100%	88,603,525	100%	89,353,005	100%



Floor Gres – Alpenhotel Panorama project, Alpe di Siusi (Bolzano – Italy)



Cerim, Elegance collection at Cersaie booth 2011 (Bologna – Italy)

Environmental responsibility

Introduction

2011 was a year of great change in terms of internal energy management and the company's commitments to environmental sustainability.

In March 2011 the gas-turbine cogeneration plant, providing electrical power of 6,300 MW ISO, was engaged, working in cogeneration to enable enthalpic recovery on three new atomizers.

Cogeneration means that while electricity is produced the heat produced by the gas turbine is recovered, which Florim uses in its atomizers. The purposes are both energy and production (optimizing how the atomizer operates).

The solar panels which will cover the new Florim hangars in Fiorano Modenese, covering an area of more than 16,000 m² are in the process of completion. The facility has been authorized by GSE at the reduced tariff set by the 4th Energy Account under the "Technological Innovation" heading and uses Laminam SYSTEM-PHOTONICS panels which have an overall nominal capacity of about 2.7 MW peak.

These facilities will significantly reduce CO₂ emissions into the atmosphere, the table shows the exact figures per project phase and connections for the 3 sections to the network.

Section	kWp	kWh/year	kg CO2 not emitted per year
Section One (October 2011)	999.75	1,121,800	595,675.80
Section Two (April 2012)	1,012.46	1,230,200	653,236.20
Section Three (June 2012)	688	835,480	443,639.88

* The figures in section three are an estimate and therefore subject to change.



Solar panels – Factory in Fiorano Modenese (MO – Italy)

System certifications

UNI EN ISO 14001

In December 2011, Florim obtained the prestigious and wholly voluntary UNI EN ISO 14001 certification, issued by TÜV. This certification attests to the company's compliance with 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 local 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 encompasses the extraction of 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 for review and made 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 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. Due to the growing interest in this topic in Italy Florim thought it beneficial to also join Green Building Council Italia.

To enable real measurement and accurate monitoring of the degree of sustainability achieved by a project, in 1999 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 comprising 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 its high recycled content, allows 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 essentially 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).

Heat island effect

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 a "heat island". This being said, 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 the 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 "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 heat island effect, allowing builders to obtain **one LEED credit** in this category (SS 7.1).

Innovation in the 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 of greater than 40%** of their weight fall into this category. Also in this category is the entire series of tiles that bear the **Ecolabel branding**.

Environmental management at Florim factories

Waste management

Florim handles waste management in all its production facilities according to the methods set forth by the national regulatory standards.

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 areas*, (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 used 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 disposed with in urban waste.

2011 Waste	2008	2009	2010	2011
Total waste produced (t)	38,342	37,470	30,644	26,237
Total reusable waste (%)	98.6	99.2	99.1	98.72
Total non-hazardous waste (%)	99.1	99.4	99.1	98.95
Total waste produced (t) / Finished product (t)	0.09	0.15	0.11	0.082

Water resources

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

Water use	2008	2009	2010	2011
Total water used (m3) / Finished product (t)	0.71	0.88	0.80	0.76

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 can be seen from the table below, this use is given as the total heat consumption (NGJ) and electricity used (EEJ).

Parameter-Definition		Unit of measurement	2008	2009	2010	2011
NGJ	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	4.8
EEJ	Specific average consumption of electricity with reference to the total amount of finished product sent to the warehouse.	GJ/t	1.08	1.23	1.11	0.44
TEJ	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	5.41
%	Self generated electricity as compared to need	%	23	16	22	55

As mentioned in the introduction, 2011 marked a key stage as regards energy management efforts. Figures show that, thanks to investments in the new plants, drops in consumption levels are linked to increases in self generated energy. The two projects combined will enable the company to reduce its overall Energy consumption levels and cover 65% of its total yearly requirement.

Once both projects have been implemented the company will be running facilities which, without a doubt, will be the only ones of their kind in the world if compared to competitors operating in the same field.

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.

CO ₂ Emissions	2008	2009	2010	2011
CO ₂ Emissions (t)	135,000 t	74,000 t	86,610 t	92,500 t
CO ₂ emissions (t) / Finished product (t)	0.33	0.29	0.31	0.29

Emissions from the production cycle	2008	2009	2010	2011
Particulate material	3.21	2.97	4.45	2.79
Lead	0.01	0.01	0.01	0.00
Fluoride	0.21	0.11	0.12	0.10

Forklifts

In terms of environmental responsibility, it is useful to note that the fleet of Florim forklifts includes 98 diesel-fueled vehicles and 51 electrical-powered vehicles. Approximately 52% of the forklifts used in the company do not emit any form of direct greenhouse gasses. All the diesel powered forklifts have catalytic converters.

Packaging and covering

All the packaging containing Florim materials are obtained using recycled paper and parts the covering used to shelter the pallets which support the finished goods are made of recycled plastic.



Particular of Florim production plant in Fiorano Modenese (MO – Italy)



Rex - 'I Preziosi' and 'Extra light' series at Mosbuild 2012 (Moscow - Russia) booth

Social Responsibility

Relationships with employees

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 three years were always discussed by consulting with labor union representatives, who endorsed the use of:

- more than eighty million euro allocated in the 2009/2011 three year period to renovate production facilities and improve the work environment;
- use of the Cassa Integrazione Guadagni Straordinaria (Special Wage Guarantee Funds)
- use of Employee Solidarity contracts
- training projects designed to achieve professional growth and development of the employees.

Florim Solidarity Fund for laid-off workers

In February 2009, all 23 executive level employees at Florim made the decision to contribute 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 euros, has included disbursements on a quarterly basis to Florim employees who spent at least 60% of their monthly working hours in 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 2011.

	2009	2010	2011
Total employees who have benefited from at least one payment	649	485	282
Total funds distributed	€ 185,518	€ 90,828	€ 74,525

Job sharing

In order to continue promoting Corporate Social Responsibility Florim has presented a new initiative in support of its employees. As an alternative to the current employment contracts the company has made job sharing available in order to support its employees in their day-to-day needs, try to limit lay-offs and develop a corporate welfare system.

Employees

Composition of the staff

(Florim Ceramiche, Finfloor and Casa dolce casa)

	Qualification																							
	Executive-level				Middle management				Administrative employee				Equivalent				Production line worker				Total			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Tot	31	22	22	22	34	34	31	26	332	298	278	262	107	104	98	81	806	776	722	667	1,310	1,234	1,151	1,058

Figures have been calculated using the number of staff employed in December of the previous year

In the course of 2011, the Florim staff decreased by approximately 9%. Over the last year the number of staff has been progressively reduced by putting a strict freeze on turnover.

Employment of persons with physical disabilities

(Florim Ceramiche and Casa dolce casa)

Qualification	Women				Men			
	2008	2009	2010	2011	2008	2009	2010	2011
Production line worker	7	5	4	3	19	17	15	15
Equivalent	0	0	0	0	0	0	1	0
Administrative employee	0	0	0	0	1	3	3	2
Total physically disabled	7	5	4	3	20	20	19	17

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, and productivity).

Nearly all the employment contracts of Florim employees are also regulated by company agreements, which supplement the National Collective Bargaining Agreement in the Ceramics industry.

The areas being discussed with the employee and labor union representatives 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 operations).

As regards the management of the commercial network, distribution of year-end bonuses follows different procedures that assess the objectives reached compared to those projected in terms of earnings, average prices and management of specific materials in stock. These procedures are implemented to foster teamwork and motivate all the members.

Health and safety

BS OHSAS 18001

In December 2011, Florim Ceramiche obtained the BS OHSAS 18001 certification (Occupational Health & Safety Assessment Series) from TÜV, an 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	Costs
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
2011	81	5.61	7.63	11.30	20.12	1.54

Legend

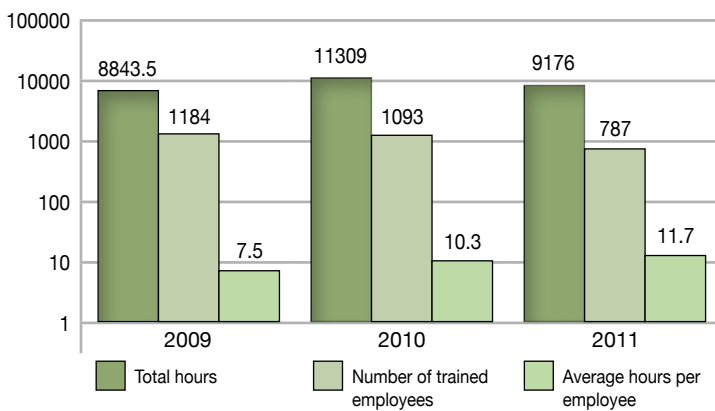
Frequency: relationship between the number of accidents and the hours worked
 Incidence: relationship between the number of accidents and the average number of workers
 Severity: relationship between the number of actual days of absence from work and the hours worked
 Duration: relationship between the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

Defibrillators

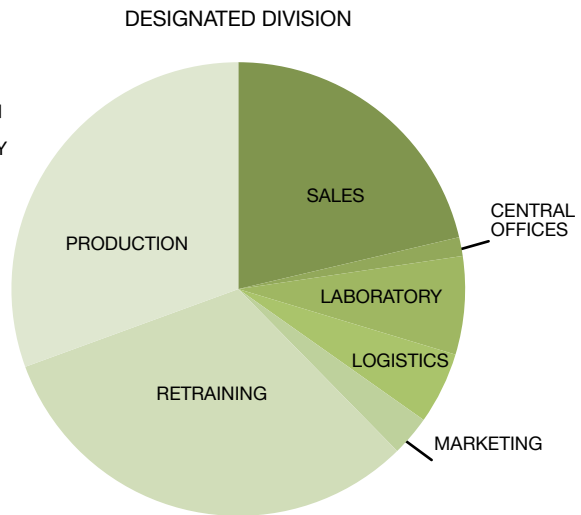
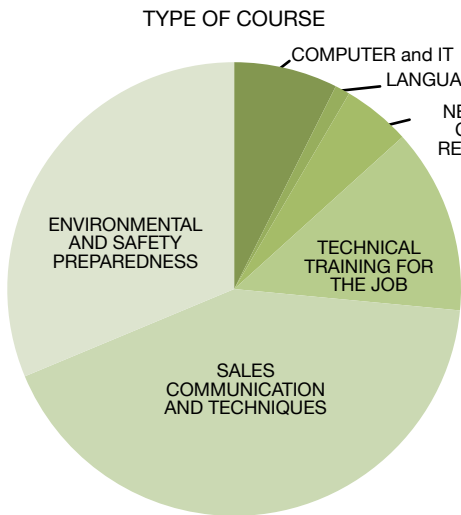
With the health and safety of its associates in mind Florim decided to buy a new defibrillator in 2011, in addition to the two purchased in 2010, for the Florim plant in Mordano, which will be made available to the internal team trained to use it thanks to a course run with the help of the New Civil Hospital of Sassuolo. The installation of this device will further increase the company's safety equipment and will bring greater rapidity and efficiency to any emergency procedures.

Training

Florim believes that in-house training plays a key role in the company's development, a critical opportunity in these times of economic downturn and the best tool for the professional development of its human resources.



More than 9,000 hours of training were provided in 2011 to nearly 800 employees, with a training to work hours ratio of 0.63%. After the training sessions run in 2010 to raise the awareness of employees on safety rules, more than 600 people were trained in 2011 to handle environmental emergencies in compliance with the international ISO 14001 standard.



In addition to courses held to develop the skills of internal staff, Florim has been promoting external retraining courses in support of staff on CIGS in order to prevent any possible layoffs caused by the economic downturn.

All the training courses, which are first agreed on with the labor unions, are voluntary and aim to retrain people in different areas. The most representative project drew to a close in July of last year in the Florim plant of Mordano. Thanks to the collaboration with Lavoro Più, after completing specific training courses on meal preparation, three employees were successfully hired by Camst, a leader in the Italian catering sector.

Relationships with local areas

Training project for Schools

Florim supports youth by taking part in a number of initiatives in partnership with schools and universities. Collaborating in research projects and the Lucchese Prize (described in this section) are just two of the many initiatives which have enabled young people to get to know the company. Florim is well aware of how important it is to attract new sources of energy and positive input for the future and therefore set up a new internal project called “Training School” in September 2011. Coordinated by its staff and employment agency Synergie Agenzie per il Lavoro Spa, the program lasts 6 months and provides different stages of training split between hands-on hours in a department, hours of analysis, and classroom hours with knowledge tests.

All departments were involved in the shadowing program which followed the logical flow of internal processes – from market analysis to product conception and product marketing. The aim is to facilitate new graduates’ entry into the business world, provide guidance and impart knowledge to the local area in non-ceramic related concepts as well and, last but not least, assist them in joining the company. Florim’s Training School has one clear objective: prepare new professionals using a unique training program, thanks to the professional skills of internal (area managers) and external trainers (who focus on specific areas and in-depth analyses). We were able to outline the phases and processes that are at the heart of the corporate structure, production chain and the teamwork which enables us to evolve and improve day by day. The structured training program, which also included testing, enabled us to select 8 people, out of the 10 participants, and hire them to carry out roles in a variety of company departments.

The first phase of the project ends in March 2012, but the initiative does not stop here; it will continue over the following months with new training sessions aimed at new candidates.



Students of the project ‘Scuola di formazione’ during their lesson

Research Partnerships

In addition to the internal investments made in support of the research and development of new products and applications a number of collaborations with schools and universities are currently in place.

Research is currently being carried out with both Italian universities and universities from abroad which focuses both on experimenting with new uses of Florim materials and surface applications which can improve product performance.

Car Pooling Modena

Florim is taking part in the experimental Car Pooling Modena project, an initiative promoted by the Province of Modena and the Agenzia per la Mobilità (Mobility Agency).

The service is free and its objective is to reduce the number of vehicles on the road, which will result in lower transportation costs and polluting gas emissions by promoting the sharing of private cars among employees of the companies that support the project.

Florim employees can register at <http://www.carpoolingmodena.it/>, enter details of their journey to and from work (route, times, frequency, etc.) and state when they are available to share transportation with other registered users. The Car Pooling Modena system compares the journeys of registered users and identifies the people with similar routes.

In order to raise awareness among employees, registration for this initiative has been added to the intranet and advertised on company notice boards. In order to promote the project and facilitate enrolment in this initiative a computer has also been placed in the changing rooms of the Via Canaletto facilities containing a link which connects directly to the relevant website, and trade unions have also been involved through special informational meetings.

Club Imprese Modenesi per la RSI (Modena Businesses Club for Corporate Social Responsibility)

The Modena Club for CSR is a no-profit organization with public and private voluntary members established in 2009 with the following objectives:

- Create a network of innovative businesses
- Encourage Modena businesses to use CSR to stand out in the marketplace and gain a competitive edge
- Promote CSR as a new business approach which focuses on innovative management and sustainability
- Focus on companies' existing "subconscious" and sporadic CSR commitments
- Contribute towards creating innovation and developing social capital across the region.

For the third year in a row Florim has renewed its membership to ClubRSI, a club which had nearly 50 member companies in 2011 and has presented more than 100 CSR projects over its three years in operation.

For more information visit www.comune.modena.it/economia/In-primo-piano/rsi/club-rsi.

Politecnico di Milano

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 Politecnico di Milano which administers Master's degrees.

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

- New Entertainment Design (design for entertainment spaces)
- Food Experience Design (design and interior design of sales outlets for food products)
- Outdoor Experience Design (design of outdoor areas)
- Bathroom & SPA Design (design of wellness centers and public restrooms)
- Hotel Experience Design (hotel design)
- Temporary Space and Exhibition Design.

The sponsorship consists of a number of scholarships awarded to 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).

Lucchese Price

The Lucchese Prize was awarded for the twenty-fourth time 2011. Instituted in the memory of the engineer Giovanni Lucchese, a progressive-thinking figure in the area of technological research in the ceramics industry and father of the current Florim president, Claudio Lucchese, the award consists 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 Prize is organized by Florim Ceramiche in conjunction with the “Società Ceramica Italiana” (Italian Ceramic Society) of Bologna and every year it hosts illustrious speakers who address the most 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 humans and their environment are only a few of the issues explored in the course of past addresses with lecturers of the caliber of Andrea Parlangei, Alberto Angela, and Armin Linke (photographer and artist).

After the success of the previous years, the host and moderator for the assembly this year was Leo Turrini again. “The courage to innovate – Searching for the roots of the future” was the theme for the day and also the story of a fascinating wager centered on intellectual energy.

This year’s winners were: Raffaele Caterino (degree grade of 100 with honors, grade average of 9.08), Lidia Lancellotti (degree grade of 100, grade average of 9.08), Matteo Natale (degree grade of 100, grade average of 8.92), Elena Vanessa Botan (degree grade of 100, grade average of 8.83), Paolo Pugnaghi (degree grade of 100, grade average of 8.82) and Matteo Corradini (degree grade of 100, grade average of 8.58).



Besides the award-winning students, from left to right Alessandra Borghi (Headmistress of I.T.I.S ‘A. Volta’), Paolo Zannini (President of ‘Società Ceramica Italiana’), Gisella Lucchese (wife of Giovanni Lucchese and mother of Claudio), Claudio Lucchese (President and CEO of Florim Ceramiche), Leo Turrini (journalist and writer).

Quality System

OBJECTIVE	INDICATOR	2008	2009	2010	2011
Refining the control of the production process	Top quality returns	92.0	92.5	91.6	92.1
	Quality index	87.3	87.6	86.8	87.3
	Waste	5.1	5.3	5.3	5.3
	Productivity	11.0	11.1	11.5	13.7
Improvements in sales performance and customer satisfaction	Innovation index	16.7	19.7	31.3	31.6
	% Coverage	84.9	89.7	82.5	82.0
	Total portfolio ready to ship in one month	94.5	95.8	93.4	92.6
Optimization of the line and of the warehouses	% Obsolete product warehouse	14.7	16.8	20.3	19.5
	Rotation index	1.5	1.2	1.1	1.25
Progressive clearing of service related complaints, disputes and controversies	% actual disputed m ² reported	1.3	1.58	1.99	1.56
	% claims/ no. order rows	1.34	1.23	1.06	1.24
Progressive improvement in the professionalism of the personnel	Personnel turnover index	0.5	1.3	0.7	1.7

Legend

Top quality returns

Percentage relationship between the square meters of top quality products and the total square meters in the warehouse.

Quality index

Percentage relationship between the square meters of top quality products in the warehouse and pressed square meters.

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 entered 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 entered in the order.

Obsolete stock

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.

Reported square meters disputed

Percentage relationship between reported 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 2012 is to maintain a sustainable financial and economic situation despite the continuing crisis in the ceramics industry and the construction market.
- For 2012, Florim expects to continue to use extraordinary wage guarantee program thanks to the funds of the Florim Executive Solidarity Association.
- Start work on a new Logistics Hub which will provide a single shipping point for most of the Florim branded products.

Environmental Responsibility

In 2012, Florim is committed to:

- further reduce the impact of its production of emissions and waste
- finish the roof of a building in the production area on via Canaletto that will be used as a warehouse, and the areas with housing samples and showrooms for customers and architects using a solar panel system measuring around 16,000 m² which will replace the old asbestos roof dating back from the 1960s
- reduce its use of natural gas, by recapturing the thermal energy produced in the firing process
- replace all the packaging machines in the selection department with new models that can reduce the amount of cardboard used in the packaging of finished products
- introduce hybrid vehicles into the company fleet.

Social Responsibility

- Continue the economic support commitments in social, cultural and training projects with a diversity of stakeholders in the territory
- continue the Training School project
- continue with the external requalification courses geared for Florim employees.



Edilcermica Filippi showroom in Trinità (CN)



*Floor Gres – 'Reverse' collection at
Mosbuild 2012 (Moscow - Russia) booth*

PART FOUR - FLORIM USA

Profile

Florim acquired Florim USA in 2000. The company is located in Clarksville, Tennessee. In a production facility that is one of the largest and most technologically advanced in the United States, Florim makes porcelain 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 with continuous development.

There are plans to invest in modernizing the equipment of a part of the Florim USA factory over the 2011/2012 time period. Some of these changes will reduce greenhouse gas emissions thanks to the installation of a new spray dryer and the replacement of older presses. The renovation of the glazing lines will be completed thanks to the installation of three of digital generation machines.

Economic Responsibility

Florim USA and subsidiaries (amounts in USD)	2008	2009	2010	2011
Net revenue	68,859,760	70,094,422	77,911,366	90,333,072
EBITDA	(6,603,918)	10,240,445	15,866,420	21,323,532
Operating income	(12,402,519)	4,154,185	10,600,651	16,990,894
Net profit	(13,393,248)	1,776,391	11,389,695	17,034,090
Net financial debt	(406,395)	1,286,332	2,696,211	771,879
Net shareholders' equity	11,999,115	45,013,123	56,402,818	73,436,908
Inventories	54,332,546	46,852,310	44,345,642	38,509,470
Investments	5,821,000	2,804,000	1,412,012	4,807,000

Florim USA has managed to maximize the competitive edge offered to producers based in the US and has gained a solid share of the market thanks to service continuity and high quality. The figures provided highlight a significant trend towards growth in terms of both earnings and profitability, which confirms the effectiveness of the company's strategies.



Florim USA (Clarksville, Tennessee)

Environmental Responsibility

Florim USA advocates 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.

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. 25). 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 in proportion to their weight of recycled, pre-consumer material (from 20 to more than 40%). 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 2011.

Materials recycling

Post-consumer recycled materials: this refers to vitreous products originating from recycling in the whole county of Clarksville.

	2009	2010	2011
Post-consumer recycled materials (kg)	261,363	59,709	244,594

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

Energy consumption

	2009	2010	2011
Gas (cubic feet)	618,752,600	638,436,900	677,725,000
Electricity (KwH)	39,129,600	42,134,400	41,280,624

Water use

Water drawn from the municipal water network.

	2009	2010	2011
Water consumption (gallons)	15,735,100	17,916,000	15,194,000

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 entirely similar to those in 2010 :

- TSP (Total Suspended Particulates) – 95 tons/yea
- SO₂ (Sulphur dioxide) – 106 tons /year
- VOC (Volatile Organic Compounds) – 80 tons/ year
- NO_x (Nitrogen oxide) – 97 tons/year

Social Responsibility

Employees

The Florim USA workforce at the production site of Clarksville, Tennessee and the logistical hub of Atlanta, Georgia comprises 255 employees, including 14 Italians on assignment to the US, split into 62 office staff and 193 line workers.

In 2011, 54 employees voluntary or involuntary left the company equaling 21.1% of the total employees.

	2008	2009	2010	2011
Human resources turnover	31.9%	20.6%	14.5%	21.1%

The benefit program currently in effect at Florim USA includes a number of benefits for full time employees:

- insurance to cover medical and dental expense
- Vision Coverage (insurance coverage employees can activate to purchase discounted vision eyewear and for visits to the eye doctor)
- life insurance
- support for temporary and permanent disabilities
- employee 401k 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, or any other category protected by federal, state or local laws.

Health and safety

On the issue of safety, Florim USA has appointed an internal manager of its facilities and is also planning to set up a committee for health and safety which includes a number of persons working in the company.

	2008	2009	2010	2011
Number of occupational accidents	50	42	51	31

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 1.3 hours of training per year.

The courses planned in 2011 involve a number of areas, including:

- use of forklifts
- safety
- training of new hires
- Hazard Materials

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 2011, Florim USA and their employees have continued to provide its support to a number of initiatives in its local area. Some of the main initiatives include:

- three scholarships to Chemistry, IT and Business students for Austin Peay State University in memory of Engineer Giovanni Lucchese, for a total of \$4,500
- 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 for the collection of food for the Salvation Army
- a contribution to the American Cancer Society
- donation to the Austin Peay State University, on behalf of employees, of used books for children and young people
- participation of Florim USA employees in the Montgomery County Program, which aims to set the foundations and develop best practices in the field of pollution prevention and the protection of community resources
- a donation to the Aspire Clarksville Foundation, an organisation which supports the ongoing improvement of the economy and social conditions of the Clarksville community.



Florim USA President with Austin Peay University President among two scholarship beneficiaries

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	2011
Refining the control of the production process	Top quality returns	93.4	93.4	93.5	94.1
	Quality index	87.3	86.7	85.4	86.6
	Waste	6.4	7.5	8.0	7.0

Legend

Top quality returns

Percentage relationship between the square meters of top quality products and the total square meters in the warehouse.

Quality index

Percentage relationship between the square meters

of top quality products in the warehouse and pressed square meters.

Waste

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

GRI International Sustainability Indicators

The information below illustrates the correspondence between the Florim 2011 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.

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Glossary

Sustainability Report. This is a tool for communication and dialog 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 statements.

Cash Flow. Cash Flow provides details of cash flows (the difference between the money movements in and out) of a business for a specific time period. 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 completely voluntary certificate awarded to products that respect ecological and performance criteria throughout their lifecycle, as established by the European Union for: mining raw materials, selecting suppliers, manufacturing processes, packaging, use, and disposal. Obtaining the trademark is a certificate of excellence 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 deciding 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.

Ethics Code. It can be defined as the "Constitutional Charter" of a company, a charter of moral rights and obligations which define the ethical and social responsibilities of each member of the company.

Corporate Governance. Corporate Governance concerns a company's set of management and administration procedures, from the organization of its ownership to the structure and operating procedures 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 Leg. Decree 231/2001.

GRI (Global Reporting Initiative). This is the agency 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. Corporate Social Responsibility (CSR) on a global level is defined in a general sense by the European Union as "Voluntary Integration by companies in concerns both social and environmental 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, 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.



Evaluation sheet - Suggestions
Florim Sustainability Report - 2011

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

What to improve / 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)
- fax: +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.



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