



**B&B**  
ITALIA

— The  
**Sustainability**  
**Report**

2017 edition

# Sustainability Report 2017



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## A message to our stakeholders <sup>[102-14]</sup>

“Once we discover how to appreciate the timeless values in our daily experiences, we can enjoy the best things in life.”

Jerome K. Jerome, English Writer

The passing of time is a phenomenon contemporary men increasingly associate with anxiety and transience. We at B&B Italia, instead, recognize in the passing of time as a necessary mean to identify true quality, to express a distinctive style and to constantly improve as a Company by acquiring new knowledge and building on past experiences. Coherently, since our foundation we have focused on producing things that stand the test of time, i.e. objects that can improve their users' quality of living thanks to their flawlessness and their ability to ameliorate with ageing, by becoming internationally renowned icons while keeping their functionality unaltered.

In the past 50 years, our obsession for timelessness has helped us to successfully navigate through the difficulties of internationalization and the volatilities characterizing the furniture market. However, we are fully aware that in order to remain competitive we need to keep matching our distinctive heritage and *savoir faire* with a constantly young spirit. Therefore, innovation represents one of the key elements of our strategy, as witnessed by our incessant R&D activity, which has led us to introduce 11 new products and 2 product range extensions just in 2017. Significantly, these results have been obtained also thanks to our close and long-lasting collaborations with some of the most renowned designers in the world, who help us nurturing our creativity by offering their fresh perspective of the design world.

Crucially, in 2017 we have also focused on responsibility – which we see as a key strategic pillar - through a series of initiatives and improvements intended to reduce the environmental intensity of our operations, while keeping an eye on the welfare of our employees and of local communities. Indeed, this second Sustainability Report provides you with an overview of our approach towards sustainability and our efforts to contribute to sustainable development. As such, for the first time it comprises information related to Arclinea, a global leader in the luxury kitchen segment that we acquired in 2016, and our foreign affiliates. The widening of our reporting scope will help you discover further sustainability best practices characterizing our Group: for instance, all the wood procured by Arclinea is FSC-certified, an element instrumental to the reinforcement of our timelessness, since healthy forests produce high-quality raw materials and increase supply reliability. Moreover, in 2017 we have renewed our membership to the United Nations Global Compact and this Report represents our Communication on Progress in terms of sustainability performance.

This holistic approach, united with our passion for quality, has helped us secure a constant economic growth in the past few years, funneling our value at the eye of our global customers. Now, it is with an unprecedented optimism that we prepare ourselves to face future challenges, with the curiosity of exploring the multifaceted value of timelessness.

**Giorgio Busnelli**  
President

**Armin Broger**  
Chief Executive Officer





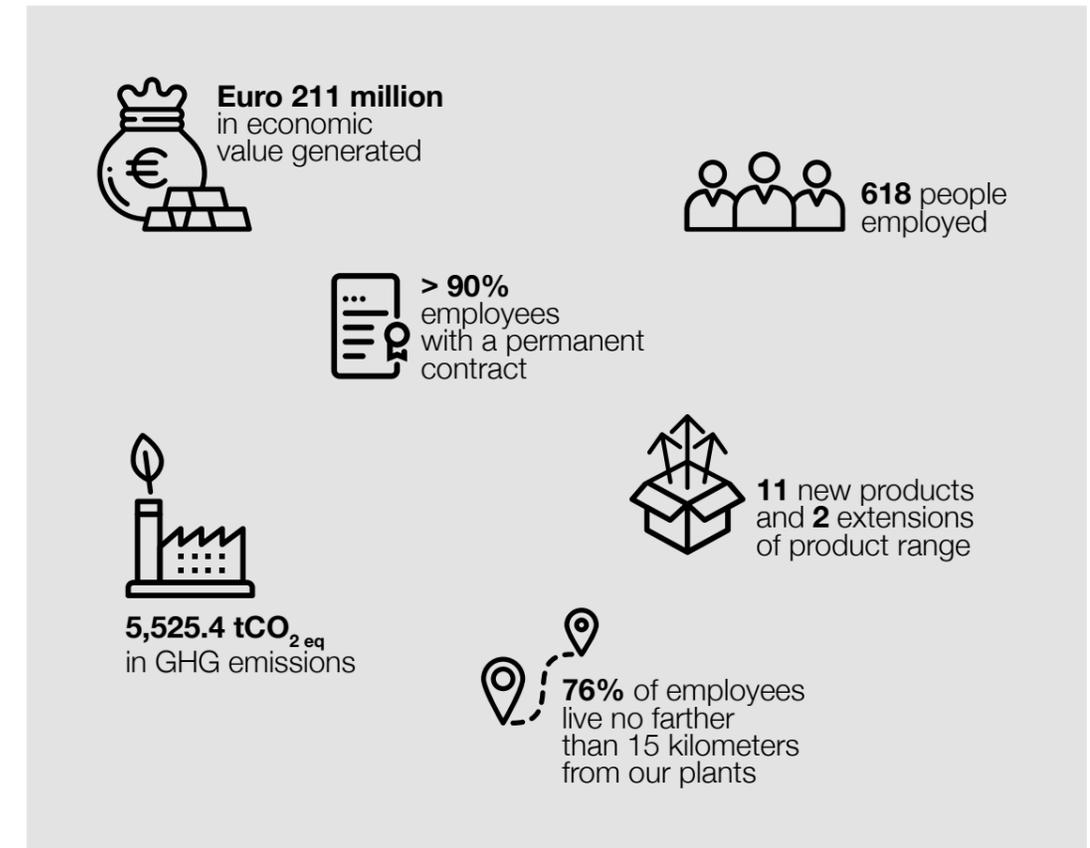
— Sustainability Report  
**B&B Italia: values  
and commitments**

“Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act but a habit.”

Aristotle, philosopher

**1. B&B Italia in 2017**

**1.1 Highlights**



**1.2 B&B at a glance**

B&B Italia S.p.A. (hereinafter also referred to as “B&B Italia”) is a leading Italian design furnishings Company. Established in 1966 as the result of the entrepreneurial vision of Piero Ambrogio Busnelli, B&B Italia has built its success on the ability to represent contemporary culture through design and to anticipate trends, constantly seeking to respond to changes in taste and living needs <sup>[102-1]</sup>.

The Company is present on the residential furniture market with both the **B&B Italia** and **Maxalto** brands. These latter are associated to unique collections and individual identities, yet express the same philosophy, namely a balanced blend of innovation and design to create products, whose unique style and elegance are unmistakable <sup>[102-2]</sup>.

Starting from its 50-year-long tradition in upholstered furniture, the B&B Italia collection has progressively widened the number of solutions it provides from home environments, to outdoor spaces, offices and public areas, with its product range progressively including chairs, tables, desks storage units, wardrobes, wall-systems and furnishing complements.

Maxalto, instead, has been established in 1975 and is well recognized for its distinctive know-how in the processing of the highest quality materials, especially wood. Initially run by Afra and Tobia Scarpa, the company inherited the renowned craft traditions of Italian woodworking. Since 1993, the architect Antonio Citterio has coordinated Maxalto's collections and has progressively widened the product offer, which currently covers a range of fittings for the living room and the bedroom.

Besides its *Home Division* segment, B&B Italia operates through the *Contract Division*, which is dedicated to complete turnkey projects in the hospitality, corporate, marine and retail sectors and is specialized in the fully-fledged management and coordination of the most complex interior projects. As such, the Contract Division offers an integrated service to our clients, from the design phase to product installation and maintenance, with a constant pursuit of technical and customer care excellence. Moreover, the materials, finishes, fabrics, leathers and coatings offered by Maxalto are conceived to meet the demands of the contract sector, both in terms of function and in terms of aesthetics. This means that we consider each project and client request as unique, thus adapting our sale proposition in a tailor-made fashion while ensuring the use of advanced technology, strict quality controls, and optimized logistics.

As a result, our attention to details and passion for excellence allows the Contract Division to participate in ambitious and renowned projects. Recent jobs range from the design of the new Allianz building in the City Life area of Milan, as well as United Airlines lounges within a variety of airports all over the world.

With registered revenues of approximately Euro 211 million in 2017, B&B is currently present in more than 80 Countries worldwide and employs 618 people, mainly located in its Novedrate, Misinto and Caldogno sites. Over the years, B&B has created an exclusive network of 900 highly professional dealers and 44 mono-brand stores<sup>1</sup>, cementing its international presence with the opening of wholly owned flagship stores in leading capital cities around the world. Today, 7 B&B Italia flagship stores can be found in major design hotspots in Milan, London, Paris, Munich, New York (2 owned and managed stores) and Washington DC <sup>[102-3, 102-4, 102-6]</sup>.

In 2015, an indirect investment subsidiary of **Investindustrial V L.P.** acquired a majority stake of B&B Italia, with the goal of supporting the Company in preserving the continuity of its unique corporate history, at the same time marking a new phase of expansion. Following the acquisition, B&B Italia has managed to build fruitful relationships and collaborations with the other Investindustrial portfolio companies. An example is provided by Flos, a leading company in the design and creation of lighting products and solutions, which has provided us a set of innovative LED solutions and installation assistance during the recent renovation of our London flagship store <sup>[102-5]</sup>.

<sup>1</sup> Excluding the 7 flagship stores cited on the following.



## B&amp;B Italia international presence

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## Maxalto STORES

Maxalto is a B&B Italia brand.  
For additional information  
on the Maxalto collection please visit  
our Maxalto or B&B Italia Stores.

Maxalto è un marchio B&B Italia.  
Per conoscere la collezione Maxalto visiti  
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### 1.3 Arclinea: a history of Italian passion and creativity

In September 2016, B&B Italia signed an agreement to become the majority shareholder of **Arclinea**, an Italian leader in high-end designer kitchens. This strategic partnership aims at enhancing the complementary nature of B&B and Arclinea products by building on their shared ability to merge design, tradition and innovation through their industrial production approach.

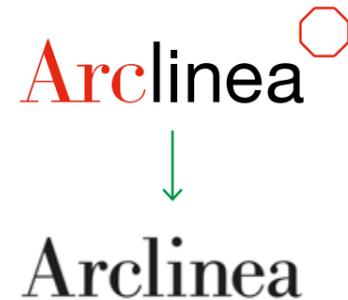
Founded in 1925 by Silvio Fortuna and based in Caldogno, Vicenza, the company started its business activity as an artisanal laboratory specialized in wood processing. In the following decades, Arclinea managed to become recognized as a reference in terms of innovation and capability of anticipating social changes: in 1958, for instance, it launched the first modular kitchen, soon followed by the first kitchen with built-in electrical appliances and stainless steel hob. In the '80s the company started collaborating with famous architects and designers, in particular with Antonio Citterio, who introduced for the first time the characteristics of professional restaurant kitchens into a home kitchen. Since then, several models have been produced in collaboration with Mr. Citterio, consolidating the innovative traits and the reputation of the corporate brand. Encouragingly, these distinctive features have been appreciated by thousands of clients along the years, including celebrities involved in the cinema, politics and sport domains, such as Kate Blanchett, Chelsea Clinton and Lionel Messi.

Arclinea's philosophy is embodied by its concept of the kitchen as a place to be used and enjoyed, in an atmosphere of serenity and conviviality, typical of the Mediterranean and Italian culture. Indeed, the founder used to claim that "Arclinea invented the idea of conviviality" and the famous Michelin-starred chef Michel Troisgros has once stated that "[Arclinea's] are the only kitchens that one enjoys using". Coherently, the ideal customer is not only an estimator of refined design features, but also passionate for cooking with a desire to enjoy the whole potential of the kitchen as a space. Hence, he/she is able of fully appreciate the quality, hygiene and safety of Arclinea's materials and components.

After having won the prestigious "Best Interior Design of the year" award in 2015, the company is currently going through a transition phase characterized by the re-design of its brand identity and image, motivated by its growing internationalization and by the recent merger with B&B. First, Arclinea has simplified and improved its corporate logo, by concentrating on a clean and minimal look that insists on the bold features of black and white. The logo has subsequently been launched in late 2017, at the presentation of the new collection and the opening of 2 new stores in London and Milan. This intervention has been accompanied by an image evolution that wants to combine innovation and historic heritage, enhancing the tradition and expertise of the brand while smoothly shifting towards a new reality with a focus on essentiality.

Indeed, the company's philosophy has been constantly evolving by embracing the concepts of slow food, sustainable nutrition and waste reduction, which are considered as fundamental aspects in support of the concept of the kitchen as a convivial and healthy space, which enables the integration between different cultures. Such values are now also taken into account in the design of new collections: each new project must indeed reflect the aesthetics and taste of various cultures and incorporate them in the choice of materials, shapes and combinations of elements. Similarly, Arclinea is currently strengthening its historical passion for wood, as the most important raw material for its products, and for the local artisanal experience, in order to celebrate the strong bounds that it has always maintained with the Vicenza territory.

Evolution of the corporate logo



## 2. Economic performance and corporate governance

Inspired by the dynamism and insight of its founder, in the last few years B&B Italia has efficiently responded to the trends and challenges that characterize the furniture and upholstered sectors, as demonstrated by its constantly growing revenues and EBITDA. Internationalization has been a key element in these regards: foreign markets account today for around 80% of the Company's revenues. The firm's most important markets, in order of total sales, are Italy, the United States, Germany, the UK, China and France; Middle East and Far East markets have also grown remarkably in the last few years. Greater China leads the way in this part of the World, a performance destined to become even stronger after the opening of a mono-brand store in Shanghai in 2016.

Thanks to its strategy centered on products' quality and durability, and by constantly investing in innovation and research, the Company has achieved important economic performances in the last few years. Our economic value generated has increased by 27.6% in 3 years, from Euro 165.7 Million to Euro 211.4 Million: this is only partially due to the inclusion of Arclinea in the overall calculation, and signals the continuous revenue growth we have been experiencing.

This resulted in a 29.7% increase in the economic value distributed to major stakeholders between 2015 and 2017, from Euro 141.3 Million to Euro 183.2 Million in 2017. The increase in economic value distributed across the different categories of stakeholders is equally related to an increase in operating costs, in employees' wages and benefits and in payments to providers of capital, which have proportionally augmented in the last 3 years, following the Company's growth <sup>[201-1]</sup>.

Value generated and distributed (all data are expressed in k€)	2015	2016	2017	Change 2015-2017 (%)
Direct economic value generated*	165,746	190,621	211,432	+28%
Direct economic value distributed*	141,263	166,483	183,151	+30%
Operating costs	105,054	120,979	134,900	+28%
Employee wages and benefits	28,606	30,927	35,389	+24%
Payments to providers of capital	43	7,055	5,867	+13,500%
Payments to government	7,495	7,450	6,958	-7%
Community investment	65	72	37	-43%
Economic value retained*	24,483	24,138	28,281	+16%

(\*The calculation of value generated and distributed includes all the entities of which the Group is composed, excluding Arclinea.

In parallel with the increase in our economic value generated and distributed, our economic value retained has also increased (by 16%, from Euro 24.5 Million in 2015 to Euro 28.3 Million in 2017). In our view, these results witness a solid economic shape, as well as our ability to effectively respond to market requests, while strengthening and keeping under scrutiny our cost structure.

**2.1 Corporate governance**

B&B S.p.A. has implemented a control and governance system based on:

- **A Board of Directors**, comprising seven members<sup>2</sup>, which is entrusted with all the powers to ensure the ordinary and extraordinary management of the Company.
- **A Board of Statutory Auditors**, comprising a Chair, two titular members and two alternate members. The Company also appointed an independent auditing firm <sup>[102-18]</sup>.

Company Board and Officers		
Governance body	Role	Member
<b>Board of Directors</b>	President	Giorgio Busnelli
	CEO	Armin Broger
	Directors	Antonio Clterio Gabriele Del Torchio Alessandro Fogo Rolando Gorla Maurizio Bottinelli Dante Razzano
	<b>Board of Auditors</b>	Chair
	Titular members	Maurizio Maffeis Giovanni Tedeschi
	Alternate members	Giovanna Canta Carlotta Veneziani
<b>External auditors</b>	KPMG SpA	
<b>Corporate Governance Panel</b>	Chair	Gabriele Faggioli
		Mario Introzzi

**Recent facts affecting corporate governance**

In March 2018, Armin Broger has been named as the new CEO of B&B Italia. The appointment has been motivated by the long-standing experience that Mr. Broger, who is 57 years old, has gained by working for internationally renowned fashion and design companies. On the other hand, Mr. Busnelli will continue serving as B&B Italia's President.

**Corporate values and risk management activities**

Since its foundation, the company has been guided by a set of key ethical values to which it still commits, comprising compliance to law and regulations, transparency, loyalty, fairness, impartiality, good faith and the development of human resources. These values are encompassed in the Code of Ethics, the official document and primary tool aimed at creating the premises for the management of relationships with the market and all of the corporate stakeholders and counterparts. Through its Code, B&B Italia S.p.A. interprets the concept of integrity not only as a set of rules to follow, but as an integral part of its business conduct. This means considering ethics as the skill to combine the Company's business activities with the respect and protection of the interests of all stakeholders and the conservation of environmental resources. The objective is to ensure that the fundamental values of the Company are constant reference points for everybody in the execution of his/her job <sup>[102-16]</sup>.

As part of their several functions and responsibilities, B&B Italia's directors, senior managers, suppliers, employees, freelance workers and auditors must comply with the Code's general principles and must ensure that others comply with them likewise. Compliance with the Code is also explicitly required to all outside parties, which have dealings with the Company and/or act on its behalf for any reason, and to anyone undertaking actions related to B&B Italia.

<sup>2</sup> Among them, two board members are between 30 and 50 years old, while the remaining five members are more than 50 years old. All the board members are men.

Furthermore, the Code is one of the tools to guarantee the effective prevention, detection of and contrast to the infringements of the laws and the regulations applicable to its operation. In particular, the Code is

an integral part of the Model of Organization, Management and Control adopted by B&B Italia to prevent the execution, on its behalf and/or to its benefit, of the crimes for which there is an administrative liability, as provided by the Italian Legislative Decree 231/01 (hereinafter called "Model 231").

The design of the Model 231 has included the analysis of the main risks and the mapping of operating areas potentially subject to those risks. As foreseen by the Model 231 and applicable legislation, the Board of Directors appointed a Supervisory Body ("Organismo di Vigilanza") with the task of controlling the implementation and compliance with the Model 231 and its updating process. The Supervisory Board comprises two external members, who fulfill the regulatory requirements in terms of autonomy, independence and continuity and a secretary.

Thanks to the correct functioning of its compliance and ethics system, B&B Italia S.p.A. did not incur in any significant monetary and non-monetary sanctions, including anti-corruption ones, during reporting years 2015-2017 <sup>[419-1]</sup>.

**2.2 Communication strategy and activities**

Given our profound conviction that every cultural expression can be a vehicle of the deepest essence of Design, since 2016 we have adopted a new communication strategy – called **Communication R-evolution** - aimed at supporting and promoting cultural initiatives in every artistic domain as a medium to transmit our founding values.

The first example of such roadmap has been the co-production of the documentary film "To Duration", directed by Didi Gnocchi and dedicated to the poet Peter Handke. The Italian premiere of the documentary was held in Milan at the Anteo Palazzo del Cinema, during an invitation-only event, which took place in September 2017 and was co-organized by B&B Italia.

Furthermore, in 2017 the company reinforced its marketing and communication strategy through a series of projects aimed at strengthening its presence both in digital and physical channels, for all its 3 key brands.

For what concerns our digital presence, we have built up a communication plan in order to increase the number of our followers and our interactions with actual and potential users on social networks. We have decided to focus our efforts by progressively reinforcing our profile content and attractiveness on Facebook, Twitter and Instagram, for which we do put in place periodic monitoring activities in order to keep track of our progress. We have indicated the main focus KPIs in the following table.

Facebook			Twitter			Instagram		
	2016	2017		2016	2017		2016	2017
Total fans	80,745	94,437	Total followers	11,289	13,101	Total followers	113,375	211,912
# of new likes	15,474	9,491	Retweets	145	94	# of new likes	108,095	150,593
Average organic impressions	15,637	22,932	Profile visits	5,267	5,282	Comments	668	860

In general, the total number of fans and followers has steadily increased since 2016, particularly on Instagram, on which we can now count on around 212,000 followers (a 87% year-on-year growth). Nonetheless, even if we have performed well on attractiveness grounds (and comparatively better with respect to other Italian companies active on our segments), we still have to improve the social interactions, such as likes and comments, on which we will continue working in the upcoming months.

Furthermore, in 2017 we completed the restyling of the B&B Italia website, with the aim of making it more modern and user-friendly, the perfect window for us to expose our corporate philosophy and design excellence.

Concerning our physical presence, in 2017 we participated in a series of design fairs and events worldwide, such as the Salone del Mobile in Milan and the London Design Festival, which offered precious occasions to convey our image and uniqueness to potential new clients and collaborators. In particular, in order to celebrate its recent merger with B&B Italia, during the latest Milan Design Week, Arclinea created an innovative high-tech temporary kitchen concept in collaboration with Samsung, which was used by a team of award-winning chefs during the entire event. These latter had the chance to exploit the innovative appliances, to experiment unusual cooking techniques, in a continuous interaction with the public. Indeed, this experience further enhanced the conception of the Arclinea kitchen as the center of the house, the place where people can enjoy life in an open and friendly atmosphere.

Furthermore, on the 2<sup>nd</sup> of March 2017, B&B Italia participated to the first edition of the Italian Design Day, the international event promoted by the Italian Ministry for Foreign Affairs and International Cooperation to promote the excellence of Italian design worldwide. B&B Italia was designated "Ambassador of the Made in Italy design culture" and took part in an event promoted by the Italian Consulate, the Italian Culture Institute and the Italian Chamber of Commerce in Chicago, with the collaboration of the Interior Design Association and the architectural firm Skidmore Owings Merrill. For this occasion, B&B Italia's Global Communications Director took part in the round-table entitled "Italian Design. Engaging North America & the World" with Cheryl Durst, Executive Vice President and CEO of the International Interior Design Association and Eric Keune, Director at Skidmore Owings Merrill.

#### Arclinea's Design Cooking School

Thanks to continual research, Arclinea is today a leading actor in professional design for cookery schools and restaurants. In order to celebrate its original blend between a refined design culture and a passion for the Italian food heritage, Arclinea has built-up an important partnership with distinguished international chefs, by creating the **Design Cooking School**. This consists of a series of cooking courses organized across the Italian peninsula and held by famous chefs, like Rossano Boscolo. During these courses, students have the opportunity to use Arclinea kitchens to learn how to cook and often become loyal customers of its products. As of today, the Design Cooking School counts on over 15 collaborations, with Gianluca Aresu and Giuseppe Falanga's Italian Chef Cooking School and Giovanna Wale's "Cook & Food" cookery academy being the latest additions.

Finally, in September 2017 we inaugurated the new B&B Italia flagship store in Brompton Road, London, after a renovation phase curated by Antonio Citterio. In particular, we completely changed our paving and lighting systems, by choosing a series of more energy efficient solutions, provided by Flos, with the aim of reducing the overall environmental footprint of the store. As such, the store provides a virtuous example of sustainable architecture and we will use it as an international standard in order to improve the sustainability of all our flagship stores worldwide.

#### Sponsoring art exhibitions

In 2017, we confirmed and re-ignited our passion for art and design by sponsoring two exhibitions dedicated to the world-famous designers, and B&B Italia collaborators, Mario Bellini and Zaha Hadid. The former, called "**The Italian Beauty**" and hosted at the Triennale Museum in Milan, focused on Bellini's over 60 years of creative activity and was curated by Dejan Sudjic, Director of the London Design Museum. Among the products shown there were several B&B Italia models, like the "Amanta" and "Camaleonda" sofas or the "Vol au vent" chair. Moreover, the exhibition dedicated a section to "Le Bambole", Bellini's most iconic project for B&B Italia, which has become famous along the decades because of the irreverent and ironic advertising campaign featuring Donna Jourdan and signed by the world-famous photographer Oliviero Toscani.

Furthermore, B&B Italia enthusiastically accepted the invitation of MAXXI – Museo nazionale delle arti del XXI secolo - to pay homage to Zaha Hadid, one of contemporary architecture's most important and influential figures, one year on from her sudden passing. MAXXI has celebrated the Iraqi-born, British architect with an exclusive retrospective exhibition – "**Zaha Hadid in Italy**"- focusing on her most iconic and meaningful Italian designs, from the "pictorial" and conceptual sketches to the 3-D cardboard models. In 2007, B&B Italia's inclination to experiment and Zaha Hadid's research on the complexity of curved geometries led to the creation of **Moon System**, a sofa-sculpture that has been an authentic "design statement" since the very beginning. That is why in 2010, when MAXXI was inaugurated, Zaha Hadid Architects chose Moon System to furnish the museum's hall and has subsequently been featured as one of the key pieces of the "Zaha Hadid in Italy" exhibition.



### 3. What sustainability means for us

#### 3.1 Our core sustainability values

"Things that stand the test of time" has been the motto of B&B Italia advertising for over 40 years. Today, as yesterday, these words encapsulate the Company's corporate philosophy and reveal our core sustainability values. Indeed, our products are unique in that they are flawless in terms of functionality, quality of materials, construction techniques, usability and design. In other words, our products are made to last and to be enjoyed by the generations to come, a quality that, in our view, perfectly embodies the true meaning of sustainability.

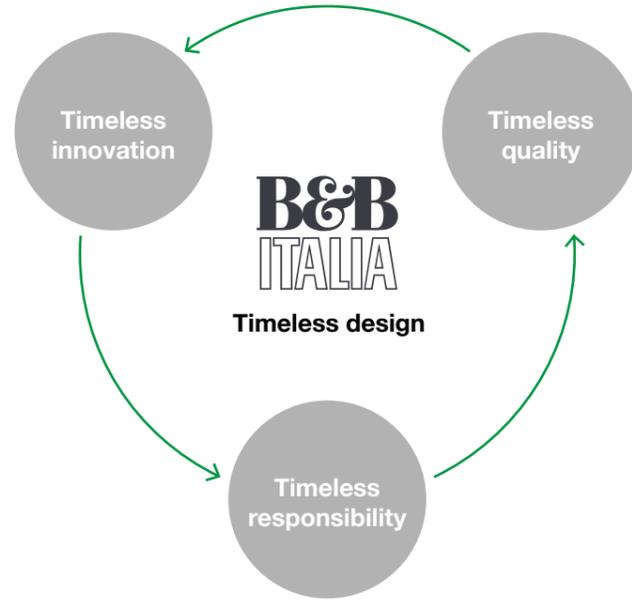
Durability, in fact, is an unmistakable mark of B&B Italia's identity. It describes not only the Company's business approach, but also its interpretation of sustainable development, as demonstrated, primarily, by the endurance of B&B Italia's products. Long product lifecycles indeed lead to conservation of natural resources and to reduced environmental impact, which represents a key element for manufacturing firms, especially in the furniture sector.

In this context, *Timeless design*, the formula that describes B&B Italia's overall vision, is inherently linked to sustainability and to the Company's commitments in three major domains: innovation, quality and community relations.

**Timeless innovation:** throughout its history, B&B Italia has been at the forefront of research and has initiated several "silent revolutions" that have profoundly influenced the upholstery and furnishing sectors. The company intends to continue to introduce new ideas in response to changing living needs, with a focus on discovering innovative materials and developing production processes increasingly respectful to the environment.

**Timeless quality:** B&B Italia aims at offering products that will endure not only aesthetically but also in quality and function. The company's stronghold on industrial processes, its quest for excellence and passion for details across all the phases of the value chain (from raw materials selection to the sale of finished products) as well as its care in managing the environmental impact of its operations are all part of a quality-driven approach to sustainable development.

**Timeless responsibility:** for B&B Italia, sustainability means building relations with all stakeholders based on trust, mutual respect, ethics and honesty. The company aims at being a trusted employer and promotes a constant dialogue with the community both internally and externally.



In 2017, the Company's top management gathered several times to discuss how the corporate vision could translate in a series of sustainability pillars, coherent to its overall corporate strategy. Similarly, the management started working to define a set of sustainability KPIs, which will represent the objectives we aim at reaching in the upcoming years and which are cross-cutting with respect to our functions and operations.



Moreover, to confirm its commitment to sustainable development, in November 2016, B&B subscribed to the **United Nations Global Compact initiative** (UNGC). The Global Compact represents a call to companies to align voluntarily their operations and strategies to ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, and to take actions in support of UN goals, including the Sustainable Development Goals. Participants to the UNGC are required to communicate annually on progresses made in implementing the ten principles in order to inform Company stakeholders (i.e., investors, consumers, civil society, governments, etc.). This 2017 Sustainability Report represents B&B Italia's second Communication on Progress.



In order to better structure its sustainability commitment and actions, B&B Italia has decided to periodically perform an analysis intended to map and identify its key stakeholders, depending on both their dependence from and their influence on the Company. To do so, in 2017 we organised a dedicated CSR Working Group aimed at updating the results of the stakeholder mapping activity put in place in 2016. These activities are also aimed at improving B&B Italia's stakeholder engagement approach, and may be enriched through the adoption of additional tools in the future.

The table below reports an overview of the results of the stakeholder's prioritization process. For each key stakeholder category, a description of existing engagement activities is provided. From this starting point, B&B Italia aims at improving its stakeholder engagement approach, and will evaluate the establishment of additional tools in the future <sup>[102-40, 102-42, 102-43, 102-44]</sup>.

**Stakeholder mapping and engagement**

Stakeholder category	Engagement tools and activities
Employees	Continuous dialogue with employees (i. e. internal communications, intranet, newsletter)
Suppliers	Continuous dialogue and periodical meeting
Dealers	Continuous dialogue and periodical meeting
Local communities	Website, press releases, social media
Customers	Website, catalogue, advertising campaign, exhibitions and installations
Clients	Website, catalogue, fairs, advertising campaign, exhibitions and installations, training sessions
Designers, architects and interior decorators	Continuous cooperation on research and development of new products
Providers of financial capitals	Formal meeting and periodical management reports

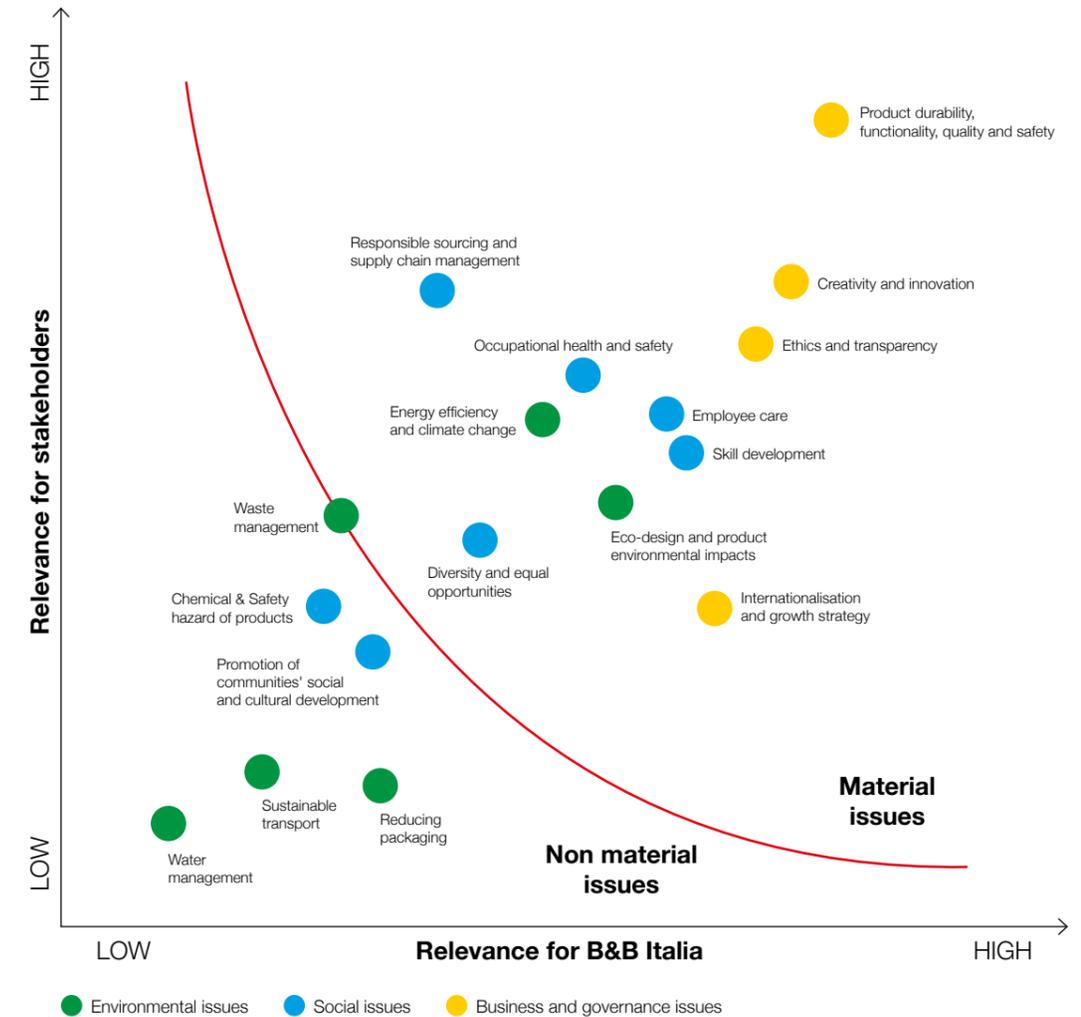
In accordance with the Global Reporting Initiatives (GRI) Standards, B&B Italia has performed a materiality analysis to update the list of significant topics which reflect B&B Italia' economic, environmental and social impacts and the issues that influence the decisions of its key stakeholders. As already happened in 2016, during the first identification of potentially relevant issues, B&B Italia conducted a thorough analysis consisting of two main activities: a benchmarking analysis on the sustainability reporting documents and approach of some of the company's competitors and peers; and a sector-specific media analysis, which allowed B&B Italia to discover the topics identified as relevant both by the Company's peers and at the industry level <sup>[102-46]</sup>.

In order to update the prioritization of material issues, we carried out both individual interviews with the management team, who had the chance of evaluating the issue significance for the Company in terms of their social, environmental and economic impact, and a desk analysis concerning the significance of the issues for the stakeholders. The evaluation of sustainability topics by the management was decided upon considering the commitment and the policies adopted by B&B Italia regarding each issue and the top management's point of view, as well as the potential impacts of each issue outside B&B Italia's reporting scope, i.e. along its value chain.

The "Significance for stakeholders" parameter is the result of the evaluation of:

- The perceptions of the top management in relation to stakeholders priorities;
- Media and public opinion attention on each sustainability issue;
- The relevance of each issue for B&B Italia specific industry sector.

By matching these evaluations into a 2-axis matrix, a list of material issues has been identified, as reported below <sup>[102-47]</sup>.



The most relevant sustainability issues for both B&B Italia and its stakeholders all relate to the "product responsibility" area and include "Product durability, functionality, quality and safety", and "Creativity and innovation". Then, a set of issues related to human resource management both within the Company and along the supply chain have been recognized of medium-high importance. These comprise "Responsible sourcing and human rights safeguard", "Occupational health and safety", "Employee welfare", "Skill Development" and, relatively less important for our stakeholders, "Diversity and equal opportunities". Finally, the group of material issues is completed by "Energy efficiency and climate change" and "Eco-design and product environmental impacts", which focus on the environmental footprint of our plants and products.

Importantly, the new materiality analysis has generated a number of amendments to the matrix published in our 2016 Sustainability Report, namely:

- All product-related aspects, once separated, have been merged in a single theme, "Product durability, functionality, quality and safety", given the inextricable links existing between these dimensions and the equal focus we devote to each of them in our daily activities.
- "Ethics and Transparency" and "Internationalization and growth strategies", two issues that were comprised among the material

themes in last year's edition of the materiality matrix have been eliminated, since we have recognized them as founding elements of our strategy and corporate culture, which, in a way, inspire all our actions concerning the other material aspects included in the matrix.

- As a result of the media and benchmarking analysis, the **"Responsible sourcing and human rights safeguard"** issue has been recognized a higher relevance for stakeholders, given the mounting pressures some of these are posing on other companies' operations along their supply chain.
- Finally, **"Waste management"** has also been considered more relevant for stakeholders than last year, albeit not material, given that several companies have started adopting circular economy solutions in relation to their operations.

### 3.3 Contributing to social and cultural progress

B&B Italia is determined not only to keep putting into practice the values of integrity and mutual trust that it promotes towards its employees, but also to keep on promoting philanthropic initiatives.

Since 2015, the Company has supported charities such as *Primo Aiuto* and *Il Mantello* and has established the *Matteo Riboldi study bursary for young hematologists*, funding the *Paolo Belli Leukemia Treatment Association*. Moreover, it has contributed to the *Holiday Project* of the *Italian Multiple Sclerosis Association* (Como branch).

Furthermore, B&B Italia promotes important charity actions through the donation of design items. Worthy of mention are the participation to the *Love Design* auctions, an event that supports the *Italian Cancer Research Association* (AIRC), and *Charity Stars*, promoted by *Oxfam Italia* and *The Circle Italia*.

The protection of the Italian cultural heritage is an ethical principle that the Company puts into practice as a Corporate Golden Donor of FAI (*Fondo Ambiente Italiano*), with the goal of protecting and promoting the country's artistic, wildlife and landscape heritage.

Finally, considering the location of Misinto facility (close to a protected environmental area, the *Parco delle Groane*), the Company has developed a particular sensibility for the protection of farmland and woodland. The current goal is to ensure that a well-developed industrial undertaking can coexist with the forests of the Brianza district; within this context a specific initiative, aiming at tackling the decline in bee populations, has been started. In collaboration with two beekeepers, 4,000 m<sup>2</sup> within the Misinto production site and part of wooden area belonging to the firm have been loaned for use to these partners, so that they can re-establish the local bee population.

Arclinea has also been active in building strong bonds with the local territory. In particular, the Company has often supported local associations, by sponsoring social, sport and cultural initiatives, as the restoration of the Palladian villa of Caldogno or the assistance of people with disabilities through the acquisition of dedicated buses to be used by the local Municipality. Moreover, since 1988, Arclinea has been a premium sponsor of the Peggy Guggenheim Museum in Venice, with which it has realized a variety of projects to promote modern art. In particular, in 2017 the Company organized 10 special visits to the museum for employees and distinguished customers, which was enriched by a private tour of the Palladian villa of Caldogno.

Indeed, Palladio was the first architect to interpret architecture as an instrument at the service of the common people, as Arclinea developed its kitchen concept as a functional space for the everyday life. Since the liaisons between Palladio and the corporate philosophy are multiple, the Company is now building a partnership with the Palladio Museum in Vicenza, which will be embodied by a set of initiatives aimed at conveying the

### 1.6 Stakeholders and material issues

shared values of the artist and the Company to its employees and main stakeholders, which will take place starting from 2018.

Concerning philanthropic initiatives, Arclinea is also a recurring donor of the National Volunteering Association Against Cancer (ANVOLT), an Italian NGO working towards spreading people's awareness about cancer prevention and treatment.

#### An active member of industry associations

B&B Italia is member of several industry associations:



**Altagama Foundation** gathers High-End Italian Cultural and Creative Companies, recognized as ambassadors of the Italian style, operating in multiple sectors such as fashion, design, jewelry, food, hospitality, automotive, yachts and wellness. Altagama's main mission is to increase the competitiveness of the High-End industry, contributing to Italy's economic growth.



**ADI - Associazione per il Disegno Industriale** (Association for the Industrial Design), since 1956, brings together professionals, researchers, teachers, critics, journalists around the main topics of design to promote and implement the most conducive conditions to the design of goods and services.



**Unindustria Como** represents and safeguards the interests of the associated industrial companies both in relation to local instances and at national and international level, through the Italian industrial confederation Confindustria.



Active in Italy and internationally, **INDICAM** (Centromarca Anti-Counterfeiting Institution) represents nearly 180 companies, industry associations, law and IP firms, security consultants and other organizations daily engaged against counterfeiting activities that hit branded products.



A non-profit entrepreneurial association, **AICE** (Italian Foreign Trade Association), for 70 years, has represented Italian companies that are committed to commercial activities abroad: trading, export, import, countertrade, buying-offices, export management, small and medium enterprises, etc; as well as the services related to such activities.



The **National Wool Trade Association** represents a wide number of companies active in the supply of textile raw materials, enabling it to grow and develop offering consistent supplies from qualified sources.

On the other hand, Arclinea is member of the following associations:



**Confindustria Vicenza**, the main association representing manufacturing and service companies in the Vicenza area, part of an Italian network representing more than 150,000 companies of all sizes and employing around 5,500,000 people.



Finally, both B&B Italia and Arclinea have adhered to **FederlegnoArredo**, the ambassador of the Italian taste of living worldwide, represents the Italian wood and furniture sector to support their business, by developing new opportunities.

“A designer has a duty to create timeless design. To be timeless you have to think really far into the future, not next year, not in two years but in 20 years minimum.”

Philippe Starck, creator, designer and architect

## — Sustainability Report

# Timeless innovation

### 1. An ode to creativity, since 1966

One of the success factor of B&B Italia is the cooperation and strong relationships with leading Italian and international designers and architects.

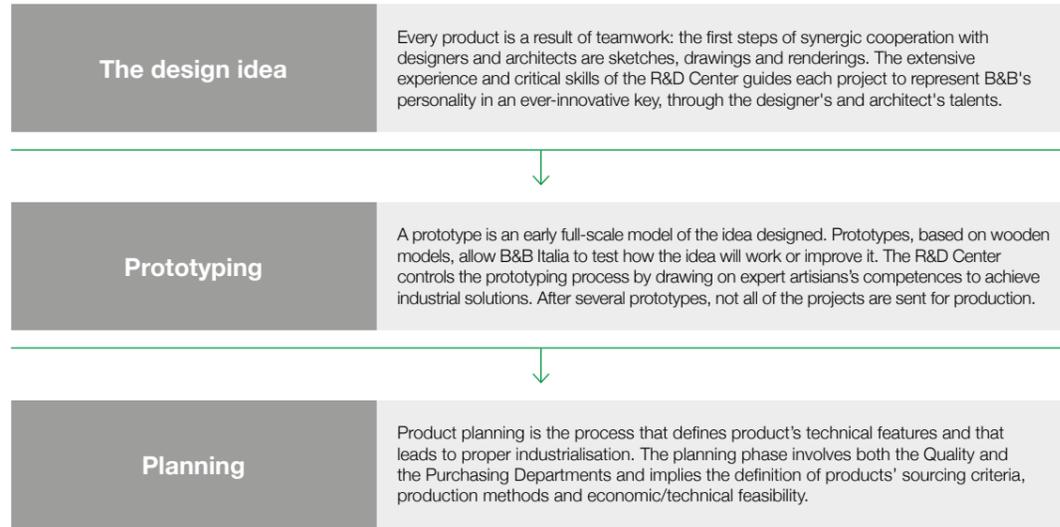
Over the years, B&B Italia has collaborated with the most talented and innovative professional of its time, including Afra and Tobia Scarpa, Marco Zanuso, Vico Magistretti, Mario Bellini, Gaetano Pesce, Antonio Citterio, Patricia Urquiola, Naoto Fukasawa, Zaha Hadid, Jeffrey Bennett, Paolo Piva, Studio Kairos, Vincent Van Duysen, Barber&Osgerby, David Chipperfield and many others.

#### Designers and architects involved in B&B projects from 2015 to 2017

	2015	2016	2017
<b>B&amp;B Italia</b>	<b>Antonio Citterio</b> - Michel effe - Michel club - Charlotte	<b>Antonio Citterio</b> - Richard - Édouard - Eucalipto - Cosy	<b>Piero Lissoni</b> - Sakè - Formiche
<b>B&amp;B Italia</b>	<b>Gabriele e Oscar Buratti</b> - Alys	<b>Doshi &amp; Levien</b> - Do-Marù - Marù - Tabour	<b>Naoto Fukasawa</b> - Harbor
<b>B&amp;B Italia</b>	<b>Naoto Fukasawa</b> - Papilio shell	<b>Jasper Morrison</b> - Bankside	<b>Antonio Citterio</b> - Alex - Jens
<b>B&amp;B Italia</b>	<b>Patricia Urquiola</b> - Tufty-time '15	<b>Antonio Citterio</b> - Gio - Erica - Ginestra - Ray natural - Ray fabric	<b>Mario Bellini</b> - Bolt
<b>B&amp;B Italia</b>	<b>Vincent Van Duysen</b> - Oskar - Surface	<b>Antonio Citterio (coordinator)</b> - Eracle	<b>Monica Armani</b> - Madison
<b>Outdoor</b>	<b>Patricia Urquiola</b> - Fat-sofa - Butterfly		<b>Naoto Fukasawa</b> - Fiore
<b>Outdoor</b>	<b>Antonio Citterio (coordinator)</b> - Solatium		<b>Doshi &amp; Levien</b> - Bay - Tabur
<b>MAXALTO</b>			<b>Barber &amp; Orgersby</b> - Tobi-ishi
<b>MAXALTO</b>			<b>Antonio Citterio (coordinator)</b> - Caratos - Astrum
<b>MAXALTO</b>			<b>Antonio Citterio</b> - Principia

B&B Italia recognizes the extraordinary value of the expertise and creative inspiration of designers and architects and blends it with its own tradition of excellence in manufacturing. The Company stimulates, interprets and guides these creative energies and offers them the freedom and space to self-express, at the same time providing them with the technological know-how needed to conceiving innovative products and making them a reality. The Company seeks to create long-lasting partnerships and promotes the constant dialogue between architects, designers and B&B Italia's Research and Development Center, which accompanies the process from idea generation to product planning.

From ideas to engineering: how B&B Italia and designers work together



Fine-tuning a prototype. Naoto Fukasawa at work in the B&B Italia R&D Center.

The capacity to put new ideas into practice has led B&B Italia to win several awards, including 4 **Compasso D'Oro** prizes, the most prestigious honor in the field of Italian industrial design, created by the Association for Industrial Design (ADI).

The four Compasso d'Oro

1979



**Le bambole**

With a new shape for upholstered furniture: Le Bambole never age. What makes them special is the apparent absence of a load bearing structure, the extreme naturalness of their shape, and the combination of comfort, softness and elasticity that their appearance conveys. The series turned out to be an icon for the 1970s.

1984



**Sisamo**

It was designed as a container closely linked with concepts of function and rationality, aimed to fuse with the walls of the room without any loss of continuity. The patented door opening and closing mechanism, with aligned sliding doors, has been the peculiar element of this system. A wardrobe that becomes invisible after use, transforming itself into a polished and refined wall with perfectly flush doors.

1987



**Sity**

A courageous step forward in the search for a seating system, Sity has been conceived as a flexible and disjointable structure, able to restructure the new complexity of the living space. A substantial characteristic has been that all the elements, as well as preserving their own formal and functional autonomy, are conceived as parts of a modular game.

1989



**B&B Italia** has been the first Company to be recognized with a Compasso d'Oro directly awarded to a design manufacturing Company.

In recent years, the creative excellence of B&B Italia has continued to be recognized through a series of awards all over the world. In 2017, B&B Italia has won the prestigious **Wallpaper Design Awards** for the Edouard armchair designed by Antonio Citterio, awarded in the "best of the rest" category. Similarly, the Company has been awarded the **NYCxDesign Award** for its Communication R-evolution project, in the category "Graphics and Branding". The award has recognized the novelty of our communication strategy, as well as its capacity of transmitting our founding values through a variety of artistic media, from the "To Duration" movie to the "Perfect Density" exhibition.

Moreover, New York's B&B Italia store in Madison Avenue has won the **International Store Design Awards**, promoted by the Retail Design Institute, in the 'Branded Spaces' category. The store, designed by Antonio Citterio and Patricia Viel Interiors, was inaugurated at 135, Madison Avenue, in the heart of Manhattan in September 2016. The dedicated 800 m<sup>2</sup> area featuring five large windows offers a spectacular display of B&B Italia and Maxalto international design and lifestyle. Finally, the Katarata suite, created by B&B Italia Contract Division, according to a project prepared by the Studio Marco Piva for the Excelsior Hotel Gallia located in Milan, has received the **"Oscar of European tourism"**, the most prestigious award in the tourism sector, in the category "World's Leading Hotel Suite". The Excelsior Hotel Gallia, a prestigious and historic hotel in Milan, is part of a series of B&B Italia projects involving hotels, which stand out for their higher levels of quality and exclusiveness.

Arclinea, on the other hand, has gained the ELLE Russia Decoration Award in the “Best kitchen of the year” category with Convivium, celebrated with a ceremony held at the Institute of Russian Realist Art in Moscow. Designed by Antonio Citterio in 2002, after 15 years Convivium – thanks to new materials and finishes, like the innovative PVD (Physical Vapor Deposition) application – has demonstrated to remain a true “cult” that goes beyond time, capable of transforming the kitchen environment into an organized space where socializing opens up to include cooking and vice versa, in a continuous interlacing of relationships.

#### Prizes awarded to B&B Italia in 2015-2017

2015	
Award	Product / Company
Milan design festival Interior innovation award - Best of Best German design award - Special mention Elle decoration Russia - Best furniture "100 Italian excellence" Award	<b>Film "B&amp;B Italia: Poetry in the Shape. When Design meets Industry"</b> <b>Almora</b> <b>Hive; Mirto</b> <b>Butterfly sofa</b> <b>B&amp;B Italia</b>
2016	
Award	Product / Company
Reddot Award - Communication Design Compasso d'oro - Honorable mention German design award - Winner German design award - Special mention Cerved "Company to watch"	<b>Exhibition "B&amp;B Italia: The Perfect Density"</b> <b>Mirto loungers</b> <b>Papilio shell</b> <b>Charlotte chair</b> <b>B&amp;B Italia</b>
2017	
Award	Product / Person / Place
Wallpaper Design Awards NYCxDesign Award - Winner International Design Store Award Oscar of European Tourism ELLE Russia Decoration Award - Best of the Year	<b>Sakè and Ginestra</b> <b>Hive</b> <b>Madison Avenue store</b> <b>Katara Suite by Excelsior Hotel Gallia Milano</b> <b>Convivium (Arclinea)</b>

#### Focus on new models: Sakè and Bay

“I liked the idea of remaining within B&B Italia’s distinctive path, that of modernity. For me, Sakè is like a platform, on which you may stay floating. Then, if necessary, it can also serve as a sofa.”

Piero Lissoni

**Sakè** ratifies the new collaboration between Piero Lissoni and B&B Italia. It is a project born in the pursuit of lightness and levity. Indeed, it can be imagined as a floating platform, similar to a flying carpet, equipped with pillows and feet to make it more similar to a sofa. As such, the project is extremely contemporary and it stands out for its research of formal equilibrium and beauty: its elements are fluid and adaptable to different spaces and personal needs, while the possibility of adding a *chaise longue* increases the linearity and comfort of the overall composition. The extreme quality of the materials used make Sakè a must for the *connoisseur’s* interior design collection.

**Bay**, designed by Nipa Doshi and Jonathan Levien, consist of a collection of outdoor seats composed by a sofa and two armchairs characterized by their sculptural and monolithic *allure*, which nonetheless remains visually light and ethereal. Its volumes are binding and made of an aluminum structure entwined by chords made of polypropylene, creating a sense of lightness and transparency. Rock-shaped pillows and comfortable paddings accompany the models, thus further enriching the abundance of details making the product a distinguished choice.

#### “The Perfect Density” exhibition

As a key part of our awarded communication strategy, B&B Italia’s “The Perfect Density” exhibition, conceived by Migliore+Servetto Architects to celebrate the 50<sup>th</sup> anniversary of B&B Italia and hosted at the Triennale di Milano during the Milan Design Week 2016, has become permanent at the B&B Italia’s headquarters in Novedrate. The work of art consists of an installation recognizing the concept of “Density” as a feature of B&B Italia’s identity in a broad sense: from the product physical and material nature to the conceptual one, always projecting the Company into the future, through a continuous drive for innovation.

As such, the installation presents a symbolic representation of the pulsating brain of a company that, over the years, has been capable of producing unique pieces, veritable icons of Italian design. At the center 8 high vertical cages, pulsating and in movement, create a weave of bright beams that project into the room images and texts: a sort of giant brain, whose synapses, shaken by light pulses, surround the visitor in an ongoing and layered tale. Further insight is then provided by the 8 themed towers, which offer 8 different narrative videos. Two continuous bands scroll across the side walls, revealing an environmental video consisting of a sum of micro-stories: images of graphics, products, people who over time have helped to build the brand’s excellence, and whose faces and gestures are reproduced to infinity by a system of mirrors.

## 2. Innovation in everything we do

Innovation is an intrinsic characteristic of B&B Italia industrial and technological vocation. The choice of setting up a dedicated **Research and Development Centre** has been a key factor in the Company’s development strategy, as demonstrated by the yearly investment in research, which usually exceeds 1% of B&B Italia’s annual turnover and in 2017 have amounted to Euro 2.7 Million.

In line with these investments, B&B Italia has always paid attention to the protection of intellectual property, considered as a strategic element for ensuring business continuity and as protection of B&B Italia’s creativity from counterfeiting. On this point, B&B Italia has also collaborated with the Altgamma Foundation and, in order to safeguard its know-how, since 2011 the Company has filed over 60 design models registrations in Italy, Europe and Australia.

Ongoing research has traditionally been a driver of B&B Italia, both at the product and at the industrial process levels. The partnerships with world-renowned designers and the contribution of the R&D Centre have allowed B&B Italia to launch several innovations, which represent “silent revolutions” that have contributed to the transformation of the furniture sector.

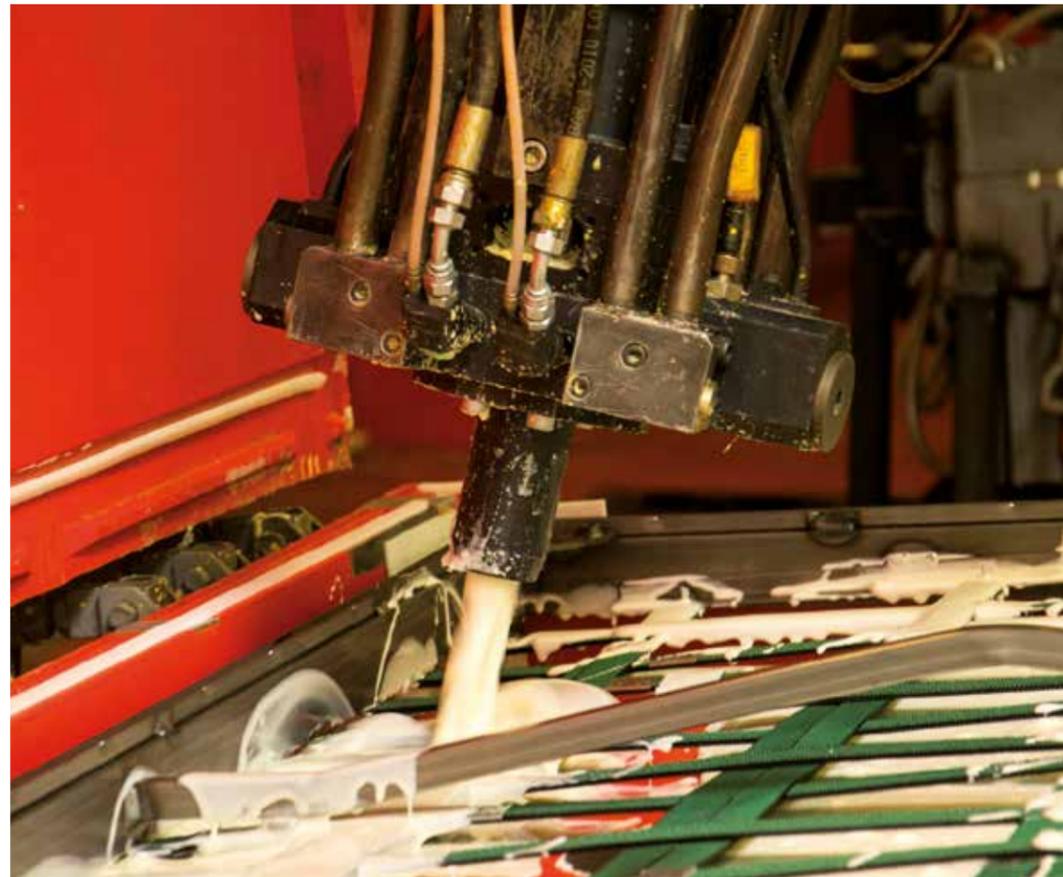
#### B&B Italia’s Research & Development Centre

The site of the R&D Centre, which was designed in 2002 by Antonio Citterio and Patricia Viel, is part of the Novedrate campus, where the corporate headquarters are based. The architectural complex is conceived in complete harmony with all its surroundings and is seen as a place to exchange miscellaneous experiences and be open to constructive cultural dialogue. The R&D Centre hosts B&B Italia’s showroom, a surface area of 1,650 m<sup>2</sup> designed to present the Company’s products in a set of dedicated spaces, created to suggest its characteristic atmospheres and emotions.

One of the main examples of this avant-garde approach, set since the very beginning of B&B Italia's history, is the introduction of the revolutionary technology of injection molding with **cold shaped polyurethane foam**. Piero Ambrogio Busnelli, B&B Italia's co-founder, firstly conceived this technique in the Sixties. While in London for a business trip, a minor detail that might have seemed unimportant to many aroused his curiosity: a machine that created and "spat out" rubber ducks injecting cold molded polyurethane. The shift from "ducks" to sofas was not easy, but it led to the implementation of a unique industrial process as well as to the creation of custom-made icons, which are now recognized worldwide.

Additional examples of these "revolutions" include the introduction of removable covers for sofas, the use of fiberglass pre-impregnated with synthetic resins in the 80's (in collaboration with Bayer), the introduction of *chaises longue* peninsulas in the 90's, the use of weavings in polyethylene for outdoor furniture in the early 2000's and the introduction of lightweight aluminum fusions for frames after 2010. The most peculiar innovations introduced by B&B Italia are shown in the table beside:

B&B Italia production, Novedrate.  
Cold polyurethane injection.



The "silent revolutions" of B&B Italia in the furniture sector

**Upholstered furniture**

- 1966  
**Metal structures** in upholstered furniture, substituting wood for increasing flexibility and resistance and reducing weight - *Coronado*  
Use of **polyurethane** for potentiating durability also in terms of shapes - *Coronado*  
**Removable structures** for increasing transportability and reducing volumes - *Coronado*  
Insertion of **leaf springs** into structures, to increase comfort and flexibility - *Coronado*  
Use of **fiberglass** into structures to increase resistance - *Amanta*
- 1969  
**Vacuum packed chair** to achieve maximum contraction - *Up*  
**10-year guarantee** for padded structures
- 1970  
Use of **integral polyurethane** - *Bonanza*
- 1976  
**Rigid polyurethane** structures - *Lauriana*
- 1980  
**Mechanisms** to increase sofas comfort and modify seats' height - *Alanda*
- 1984  
Use of **fiberglass tubulars** for enhancing folding properties - *Nena*
- 1986  
**Multiple seating typology** to enhance flexibility of the seating systems - *Sity*
- 1995  
Use of **die-cast pegs** for increasing lightness - *Harry*
- 1997  
Introduction of **peninsulas** and **chaiselongues** - *Charles*
- 2003  
Use of preformed **printed leather** - *Mart*
- 2007  
Weavings in **polyethylene** for outdoor - *Canasta*
- 2016  
Use of **lightweight aluminum fusions** - *Charlotte*

**Systems**

- 1970  
**Polyester systems** "100 gloss" to increase brightness - *Olinto*
- 1980  
Use of **cast iron structures** to potentiate stability and holding - *Dape*
- 1983  
**Coplanar sliding doors** for wardrobes reducing the encumbrance - *Sisamo*
- 1989  
Use of **extruded PVC** 240 cm shelves allowing exceptional capacity and integration with lighting - *Domus*  
**Vertical openings** of 240 cm shutters reducing the encumbrance - *Domus*
- 1990  
**Fire-retardant HSC panel** for marine environments - *B&B marine*
- 1996  
Introduction of **wengè** finishings - *Maxalto*
- 1998  
**PVC panels** substituting office walls - *Abak*
- 2008  
**Aluminum modular library** to increase lightness and stability - *Flat.C*
- 2012  
**Roto-shifting opening** for wardrobes - *Backstage*
- 2014  
**Shellac finishing** - *Maxalto*



The Home Division and Contract Division equally share this approach to innovation. For the Home Division, innovating means to push the market towards new solutions that are increasingly functional and aesthetically aligned with contemporary taste. The results of B&B Italia's incessant work are demonstrated by the constant evolution of the Company's product range: between 2015 and 2017, the Company launched over 30 new products and 13 extensions of product range.

#### New products developed and launched from 2015 to 2017

	2015	2016	2017
New products	11	8	11
Extension of products range	4	7	2

The Contract Division, on the other hand, interprets B&B Italia's vocation to the development of new ideas in a customer-centric way. The Division indeed conceives each single detail to satisfy the specific customers' needs and invests in liaising with the customer and architects, at the same time combining research, testing and engineering of each project element.

Sustainable development is also a component of B&B Italia innovation history, from the use of sustainable materials to the upgrade industrial processes in order to lower their environmental impact. The Company has already achieved some progress in these areas. As an example, it promoted the elimination of freon in the polyurethane formula, the use of recycled and recyclable techno-polymer coats (Husk, 2011) the transition to water-based solvents for wooden products (completed in 2015 at the Misinto site), the fabrication of coatings from recovered leather scraps (Hive Pouf, 2013) and the elimination of formaldehyde from chipboards.

For B&B Italia, innovation lies also in building unique design experiences. Both B&B Italia Home and Contract Divisions start from a careful study of their clients and customers' needs and, leveraging the accredited experience of their professionals.

The central pillar of the Company's approach is making the purchase of B&B Italia products and services as "something valuable in time" that remains etched in the memory. The Company uses different channels to express this concept and its culture of contemporary design, encouraging an open conversation with its clients and customers.

Indeed, inside its own stores, B&B Italia welcomes the visitor to follow a journey where design encounters emotion, involving all the senses. A sequence of thematic areas designed with extreme care highlights the story that surrounds products in a scene of perfect harmony between products and the surrounding environment. Color combinations, contrasts that enhance details, tactile materials and a wealth of nuances please the eye, generating curiosity and inviting visitors to touch and feel the products.

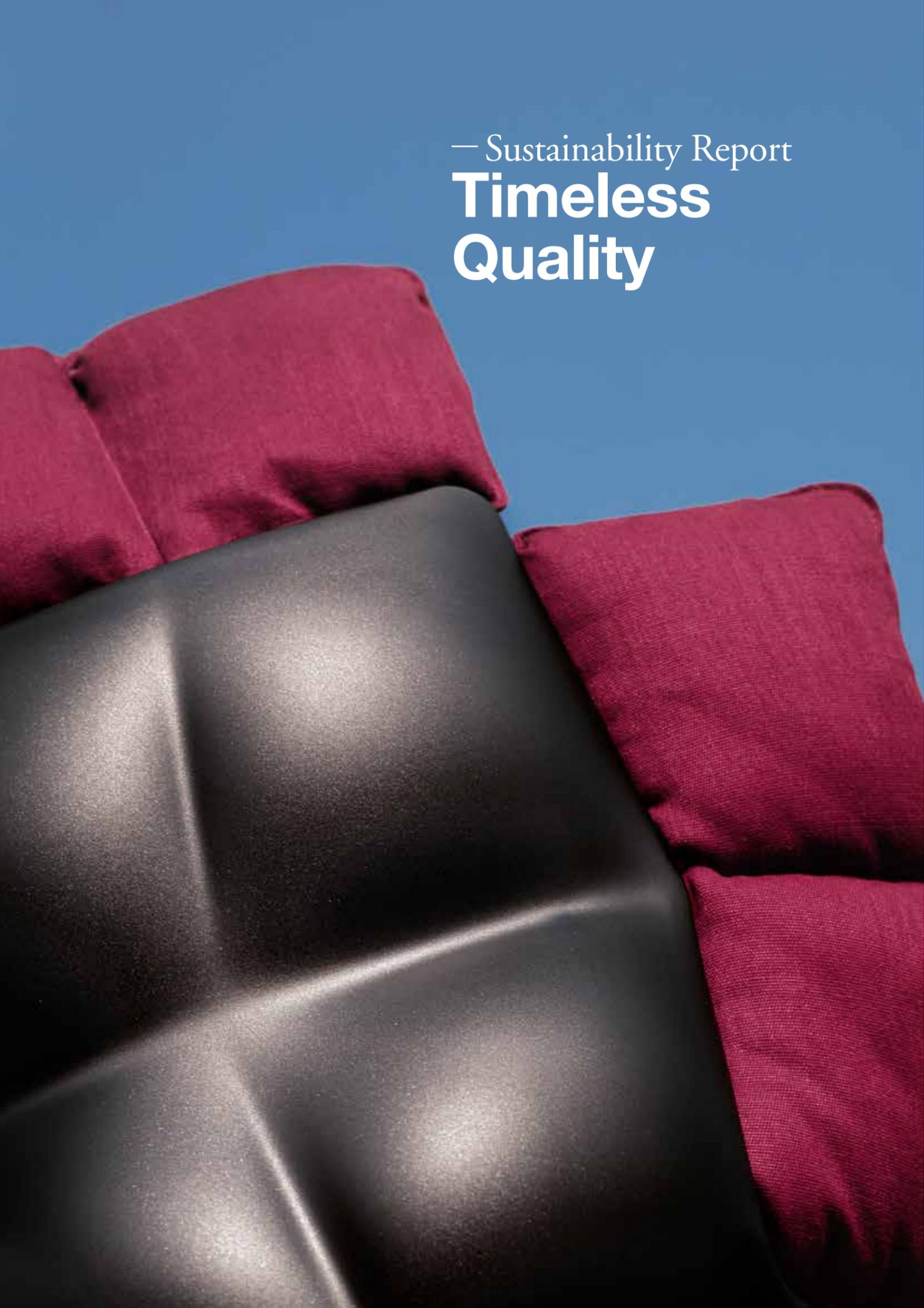
B&B Italia also benefits from the experience of its partners, capable of keeping up with the firm quest for excellence. The Company works closely with them to guarantee its high-level product quality as well as first-class purchasing experiences. These aspects are managed through a specific policy of thorough after-sales support, which includes proper training for dealers' staff and architects: in 2015, B&B Italia trained 417 people at its own headquarters, and the numbers have grown to 499 in 2016 and 503 in 2017.

#### Innovation in Arclinea

Arclinea can rely on an internal R&D function, in charge of suggesting new furniture elements or even new models, as well as to modify and improve the existing ones. The architect Antonio Citterio is the reference designer for Arclinea, but many ideas and sources of inspiration also come from clients and market analyses. In fact, the Company has formed a so-called "**Design Team**", composed of the most important and involved customers in Italy and abroad, which is periodically convoked to discuss their ideas and desires concerning potential new models. A dialogue of this kind is almost unique in the design domain, and usually represents the first conception phase behind Arclinea's new models.

After ideas have been collected, the Company conducts a benchmark analysis in order to obtain an overall market overview and to understand whether the proposed ideas might be viable. In case they are deemed as such, the proper design phase begins, leading to prototyping and potential commercialization.





— Sustainability Report  
**Timeless  
Quality**

“What is quality? Quality design must have a sense of authenticity. My work is not cutting edge, it is not supposed to be, but sometimes, the middle of the road is the most dangerous place to walk.”

David Collins, interior designer and architect

**1. Design-as-a-service:  
customer care  
as a cornerstone  
of our activity**

Quality lies at the heart of B&B Italia's vision: it encapsulates the Company's mission to provide long-lasting value for clients; it represents a commitment to excellence all along the value chain; it drives B&B Italia's approach to suppliers' relations, inspired by trust, collaboration and innovation.

**1.1 Our commitment to ensure  
product quality and safety**

Since 1997, B&B Italia has put in place an ISO 9001 Quality Management System, certified by independent third parties and applied to Novedrate, Misinto and Arclinea's Caldogno factory. This Management System is a fundamental element of B&B Italia's way of working, given that it sets the rules and boundaries that regulate quality control at all levels.

The continuous and full implementation of B&B Italia's Quality Management System is the key instrument to meet all statutory and regulatory requirements and standards applying in the Company's export destinations. B&B Italia products meet all relevant legal requirements, including European and US laws and regulations. Across the product life cycle, all categories are assessed with respect to health and safety impacts and in terms of compliance with applicable regulations. The absence of non-compliance issues with regulations concerning the health and safety impacts of products is a proof of B&B Italia's Quality Management System effectiveness <sup>[416-2]</sup>.

Arclinea adopts the same approach towards quality controls. Each product is subject to manual checks along and at the end of the production process. In case problems or defects are identified, the staff of the Caldogno factory conducts a series of remediation activities in the shortest time possible and usually within two hours. This allows Arclinea to deliver high quality products, while acquiring set of replicable best practices by learning from previous production mistakes. In fact, Arclinea's Quality Function organizes a series of periodic internal working groups aimed at brainstorming on how to continuously ameliorate the production stream.

On customer service, we believe in the value of offering consumers a product as a long-term investment, and therefore we keep working to increase the lifecycle of our creations. In this context, all B&B Italia products include an identification code, which allows us and the customer to trace all the technical documentation and product standards for each item sold. Considering customer growing interest and relative sensitivity on the product safety and durability, beyond mere compliance, B&B Italia monitors these parameters through specific activities and tests, in accordance with numerous voluntary codes – as detailed in the following table – that can be applied, depending on national laws of intended markets and clients' specific needs.

B&B Italia voluntary certifications

Fire resistance certifications



**Departmental Order of 26/06/84.**

Classification of fire resistance and approval of materials for fire prevention purposes (I).



**California Technical Bulletin 117 - USA.**



**The Furniture and Furnishings (Fire) (Safety) Regulations 1988 - UK.**

Product certification



**ANSI/UL 48 Portable electrical apparatus (Lamps).**

B&B Italia certifies that its low-voltage electrical equipment is safe and complies with current applicable laws, standards and regulations.



**Directive 2014/35/EU**

on the harmonisation of the laws of the Member States relating to the making available on the market of electrical equipment designed for use within certain voltage limits.

**Directive 2014/30/EU**

on the harmonisation of the laws of the Member States relating to electromagnetic compatibility (recast).



**UNI EN 16139.**

Furniture - Strength, durability and safety requirements for chairs.

**UNI EN 15372.**

Furniture - Strength, durability and safety requirements for tables.

**UNI EN 581.**

Outdoor furniture.

**UNI EN 16121.**

Furniture – safety, strength and durability requirements for storage furniture. B&B Italia products are validated by conducting strength and durability tests on the product family's most significant or representative article, and/or the one that is most critical in terms of construction technique. The tests are carried out according to the principal methods applied in the furniture industry, in particular under the standards listed above.



Product test reports are issued by leading Italian and international test labs.



**ANSI-BIFMA X5.1 - Chairs.**

Selected products are also tested in accordance with the voluntary codes of particular markets, such as the United States.

Furthermore, an authenticity document, the **Product data sheet-Guarantee** states the product originality and uniqueness, informing the customer about the materials, the maintenance instructions, the warranty, the manufacturer and the designer of the product.

Finally, B&B Italia demonstrates its commitment to quality through its **10-year warranty** for the frames of its padded furniture (sofas, armchairs, chairs and beds). The warranty covers original defects in manufacturing of the structural parts, providing replacement or repair, free of charge, of the unusable or defective component ascertained and acknowledged as such by B&B Italia.

Our approach has been rewarded by an increasingly lower amount of complaints and by no product reclaims in 2017. In particular, as shown by the data reported in the table below, the ratio of overall complaints on invoiced orders, which measures the Company's actual quality performance in terms of adherence to customer requests, has ameliorated in the 2016-2017 period, shifting from 4.6% for B&B Italia only to 3.0%, considering also Arclinea. Indeed, while B&B Italia's ratio has decreased from 4.6% to 4.4%, Arclinea's performance has also improved, turning from a 2.4% to a 2.1% ratio on a year-on-year basis <sup>[102-43]</sup>.

	2016	2017
Rejected complaints	667	1,143
Actual complaints	1,116	1,790
<b>Overall complaints</b>	<b>1,783</b>	<b>2,933</b>
<b>Ratio of overall complaints on invoiced orders</b>	<b>4.6%</b>	<b>3.0%</b>

The careful selection of materials is the other main aspect at the center of B&B Italia's commitment to quality. When it comes to the purchase of raw materials and semi-finished products, we adopt a series of thorough control practices at the time of procuring them from suppliers and contractors, aimed at selecting the best materials available, in terms of sustainability of the supply chain and reduced health and safety risks for customers.

**FSC**

Arclinea has in place a Management System that adheres to the principles and standards of the **Forest Stewardship Council (FSC)**, with the aim of protecting and monitoring the chain of custody of its wood supply.

The Forest Stewardship Council (FSC) is an international not for profit NGO, offering a forest certification system recognized at international level. The certification aims at ensuring a correct forest management and the traceability of related products. As such, it guarantees that the product was made using raw materials from wood correctly managed according to correct principles of sustainable procurement and chain of custody.

100% of Arclinea's wooden supply is FSC-certified, and B&B Italia is currently working to obtain the certification. In particular, the Company is working towards the definition of a dedicated policy and specific guidelines, while checking whether its current and potential suppliers are already FSC-certified. Our goal is that of applying the certification to 100% of our wooden products, by constantly integrating the list of pieces subject to the certification.

In particular, once a product is deemed adequate for starting industrialized production, the Purchasing Department is in charge of the corresponding raw materials and components sourcing. As such, the Department evaluates and selects the materials used for the internal structure (i.e. iron, steel, magnesium), as well as for external coating (i.e. type of leather or tissue, etc.) or finishing (i.e. type of basement, possible accessories, etc.). Various assessments are also performed both by the Technical Office in charge of production and by the Quality Department, in order to provide suggestions and prevent possible issues in terms of products' technical features as well as quality, safety and durability.

In 2017, we purchased a wide variety of materials, the main ones being fabrics, leather, wood, marble, metal, and mixtures of foams for padding. The actual amounts of raw materials and packaging purchased has actually augmented from 2,570.5 tons in 2016 to 5,223.7 tons in 2017, an effect motivated by the addition of Arclinea to the total amounts, as well as by the increase in the orders received <sup>[301-1]</sup>.

Materials and packaging(ton)	2016	2017
Iron/steel <sup>3</sup>	758.0	929.7
Fabrics	268.6	273.9
Wood	231.9	1,797.30
Chemicals	203.7	306.7
Marble <sup>4</sup>	195.7	221.0
Ceramic	n.a.	0.4
Appliances	n.a.	50.8
Aluminum	150.0	254.6
Leather	32.8	33.5
Paints	80.7	560.8
Paper	649.1	682.8
Plastic	n.a.	13.1
Glue	n.a.	10
Glass	n.a.	15.3
Polystyren	n.a.	52.8
Polyethylen	n.a.	21
<b>Total</b>	<b>2,570.5</b>	<b>5,223.7</b>

Raw materials are one of the major points of contact where quality and sustainability considerations converge. For B&B Italia, this means progressively reducing the use of materials and adopting the most sustainable solutions from the start, avoiding the use of materials that are hazardous for the environment, and always encouraging, when feasible, the use of natural, nontoxic and recyclable inputs.

Examples of this approach include our supply of wood mainly from trees at the end of their lifecycle, as well as the experimentation of innovative materials such as the Cristalplant Outdoor<sup>®</sup>: a new generation fully-recyclable thermoplastic material with remarkable resistance properties and low environmental impact. Moreover, material reuse is an important aspect of B&B Italia's operations: as an example, leather and fabric scraps are sold to other companies that use them in their own production cycles.

The following characteristics related to the materials we procure are worth mentioning:

- Aluminum, iron and steel represent the majority of B&B Italia's purchases in terms of raw materials quantities. These metals are used for cast die metal structures, molds and frames, mainly produced in Italy, as well as for other components – such as chair feet – frequently purchased from China.
- Fabrics mainly come from the Monza and Brianza area in Italy. The Company has a long history in the search for natural and synthetic yarns, which led it to develop exclusive agreements with its textile suppliers on specific fabrics produced only for B&B Italia. Leather, on the other hand, is sourced mainly from 3 suppliers in the District of Arzignano, one the most renowned Italian producers in the tannery sector.
- Wood is the main material used by Arclinea, which supplies it only from FSC-certified suppliers. In particular, top quality wooden slats are used for kitchen front panels, while lower quality sections are used for the back parts.

<sup>3</sup> These data include also small amounts of wood

<sup>4</sup> These data include also small amounts of wood

## 1.2 The importance of sourcing sustainably

- Chemicals, mainly in the form of glues, additives and polyurethane foams are used for product padding, whereas paints are used in large part for the treatment of woods and furniture. Both materials are purchased from big multinational producers, selected for their international credibility and quality.
- Polystyrene and polyethylene are materials of recent adoption, since Arclinea started using them in early 2017. These materials are more resistant and easier to manage than traditional alternatives, as they imply a lower number of pieces, and they are fully recyclable.

B&B Italia operates thanks to the collaboration with a network of about 2,000 suppliers of materials, finished and semi-finished products and contractors assembling finished products. The majority of them are connected with Arclinea's activities.

Over 90% of these partners are based in Italy, and most of them in the Monza & Brianza (for B&B and Maxalto) and Vicenza (for Arclinea) Districts: an element that ensures to B&B Italia, artisanal expertise for complex high-quality works and the possibility to have a continuous dialogue.

In terms of procurement amounts, we purchase 72.6% of our raw materials, packaging and semi-finished products from Italian suppliers <sup>[204-1]</sup>.

Ethics, transparency and innovation are the core values that regulate these relations, which, in most cases, are long lasting and built on a strong sense of partnership and mutual trust. In fact, suppliers are often involved from the first phase of product design, speaking with the R&D Centre and the Quality Department to select and apply the most up-to-date technical solutions.

When signing a contract with B&B Italia, suppliers have to accept the Company's Code of Ethics. B&B Italia also defines specific quality checks throughout the procurement relationship, depending on the specificities of the various items purchased, from raw materials to finished products: the vendor list is updated every year with a thorough assessment of suppliers' technical, ethical and quality performance.

Before starting a commercial supply relationship, we ask each supplier to submit a data sheet comprising a series of relevant information, comprising the obtaining of sustainability certifications and a list of its sub-contractors. In case of critical findings, these results lead to specific action plans that vendors must put into practice in order to continue their partnership with the Company. If the outcome of the assessment is positive, instead, the supplier is included in the qualified vendors list <sup>[412-1]</sup>.

In order to preserve quality at all levels, B&B Italia Quality Department implements specific control activities on the various types of suppliers. In specific cases, in addition to quality checks at the reception, we organize both announced and unannounced visits to supplier plants, which allow us to get to know in depth our partners' operating practices. Arclinea, on the other hand, in some specific cases works to enhance suppliers' quality levels by concluding dedicated co-investment agreements, related to the development of customized molds and prototypes. In these cases, we do protect the uniqueness of our products by including confidentiality and exclusivity clauses within supply contracts.

Moreover, for some semi-finished components (i.e. aluminum components from Asia), the Company carries out pre-shipment inspections through specialized local service providers. Instead, concerning outdoor finished products, whose production is mainly located in Bosnia, Indonesia, China and the Philippines, we do provide precise tender specifications to our suppliers. These latter must comply with them and, every time an additional line of production is set up, our auditors take the occasion to conduct specific controls on the lines previously opened.

Furthermore, B&B Italia implements additional controls for what concerns high quality raw materials such as leather and fabrics. Leather supplies, indeed, are usually checked when dispatched to the Company's facilities and, in case they are particularly prestigious, through specific visits at suppliers' plants, in addition to the digital quality controls already mentioned above.

Finally, fabrics undergo a series of additional quality tests in the vendor qualification phase, which evaluate their resistance to possible external conditions such as abrasion, traction, pilling, light, tear and rubbing. Subsequently, suppliers that have the responsibility to stitch them, mainly located in Italy and Hungary, test their quality again following the specific dispositions of B&B Italia, who trains suppliers' quality personnel directly.

## 2. The headquarters of our innovation

### 2.1 Our operations and supply chain

B&B Italia and Arclinea's attention to quality and sustainability starts from the corporate operations centers, comprising three manufacturing sites and two storage warehouses.

- The **Novedrate** (25,000 m<sup>2</sup>) site houses the head office, the upholstered furniture production, the R&D Centre and the showroom. The plant features the polyurethane molding line and a technological production center equipped with two robots capable of changing in real-time the characteristics of the foams by dosing their density and resilience.
- The **Misinto** plant (22,500 m<sup>2</sup>) produces the Maxalto collections, with a particular focus on wooden products. Since 2011, the plant produces also wall systems and wardrobes. Misinto is endowed with the most modern technological equipment, ranging from modern trusses to cut panels to paintbrushes and assembly lines.
- The **Caldogno** plant (40,000 m<sup>2</sup>) is where Arclinea production activities take place. The factory arises on the site where the original wood laboratory, in which the Company started its activities in 1925, was actually located.
- The production organization is complemented by two storage sites: in **Carugo**, an area of 8,000 m<sup>2</sup> houses semi-finished products, raw materials and components of outdoor products to be assembled; whereas **Arosio** (5,500 m<sup>2</sup>) hosts the storage of raw materials, semi-finished products and finished products.

All the plants are subject to progressive interventions aimed at improving their functioning and making them more modern and efficient. Concerning Arclinea, in 2017 the Company proceeded to the installation of a new packaging machinery, adapting the production chain to the usage of new materials like polystyrene and polyethylene. Furthermore, a new machine for making holes in kitchen wooden panels has been installed, which will help the Company saving time and energy given its augmented performance. In the meanwhile, Arclinea has implemented an efficient warehouse management system, running on a dedicated software. This latter will allow an optimal control of procurement requests, allowing the optimization of working capital management.

B&B Italia's industrial process encompasses various phases, which represent the ideal continuation of the three preliminary stages (design, prototyping, planning) described above.



Products in the making: from industrialisation to delivery.

Production begins with the **industrialization** phase, which analyses all the possible technologies to be applied, in order to choose the perfect mix between quality and design requirements, cost optimization and technical solutions. The final aim is to ensure that the product can be realized on a large scale, by ensuring the same features and performance for which it was planned.

For example, when the "cold-molded polyurethane foam" technology is used for creating sofas, the industrialization step chooses the metal load-bearing frame that guarantees the best results in terms of product durability and resistance. Then, the frames are integrated with various elements (elastic straps, springs, reinforcing, etc.) that enhance product performance in terms of comfort and functionality. Subsequently, frames are sunk in polyurethane injected into the mold, which allows reproducing the exact shape of the chosen model.

The **validation & production** phase ensures, first, that the product meets planned requirements and specifications, and that all the industrial aspects are consistent with them. Indeed, B&B Italia executes further quality assessment through the several tests and checks described above, so that the final product fulfills its intended purpose and it is ready for delivery.

The results of all these controls and technical documentation are inserted into a *product fact sheet*, which is a sort of ID card of the product itself. The product is now ready to be produced; in particular, the production starts either to create a stock in the two storages warehouses, and when a specific order has been commissioned from a client.

Finally, the production chain ends with the **delivery**: sofas, furniture and all the other systems are assembled, tested and then sent to retailers or clients.

### 2.2 Innovation and environmental care

B&B Italia interprets quality not only as an intrinsic feature of its products, but also as the pursuit of excellence in all its operations. The Company pursues this approach also at the environmental level, seeking the correct management of the environmental impacts of its industrial sites, in compliance with all applicable laws and regulations. Moreover, Arclinea has obtained the ISO 14001 certification, which sets the requirements for a proper management of environmental aspects within the Company, and has published on its website an Integrated Environment, Health and Safety Policy, which indicates the internal policies covering these issues and clarifies the assignation of the respective roles and responsibilities at a corporate level. Because of this approach, no incident of non-compliance with environmental laws and regulations was recorded between 2015 and 2017 <sup>[307-1]</sup>.

The environmental aspects currently monitored and managed by B&B Italia include the Company's most relevant environmental impacts such as the use of raw materials and components (as already highlighted in paragraph 3.2), energy consumption and Greenhouse Gas (GHG) emissions. Furthermore, B&B Italia monitors its footprint in terms of waste, polluting emissions, water and packaging.

Though limited in scope, the Company considers the disclosure on these aspects as a first step to align its sustainability reporting to recent trends in terms of non-financial disclosure at a European level, and as a tool to continuously monitor and improve its overall environmental performance. Further details are provided in the Appendix.

It is also worth mentioning that the Company's committed to progressively enhance its environmental performance by adopting innovative solutions and installing machinery allowing it to reduce its footprint. Such solutions are described below, in correspondence to each environmental aspect.

### 2.2.1 Energy consumption

B&B Italia's total energy consumption is directly attributable to different vectors: natural gas (representing 50.3% of overall consumption in 2017), wood offcuts (11.8%), electricity (29.1%) and fuels like fuel oil and diesel (8.7%).

Between 2015 and 2017, the total energy consumption increased from 58,587.0 GJ to 75,831.2 GJ. This increase is mainly a result of the inclusion of Arclinea's data in the computation. In particular, Arclinea relies mainly on fuel oil (given the actual unavailability of connections with the municipal grid) and wood offcuts for its heating needs, thus representing the majority of year-on-year energy consumption increase between 2016 and 2017<sup>[302-1]</sup>. Taking into account only B&B Italia S.p.A.'s energy consumption data, these have shifted from 58,587 GJ in 2015 to 57,593 GJ in 2017, a 1.7% decrease.

#### B&B Italia energy consumption and energy intensity index 2015-2017

Fuel	Unit	2015	2016	2017
Natural gas	GJ	39,845.3	38,507.6	38,176.9
Wood offcuts	GJ	858.9	2,670.5	8,985.6
Electricity	GJ	15,635.1	16,065.9	22,054.2
Gasoline	GJ	-	-	30.3
Fuel oil	GJ	-	-	3,957.7
Diesel (vehicles owned and leased)	GJ	2,247.7	2,339.7	2,626.6
<b>Total energy consumption</b>	<b>GJ</b>	<b>58,587.0</b>	<b>59,583.7</b>	<b>75,831.2</b>
<b>Energy intensity index (energy/revenues)</b>	<b>(GJ/€ *1000)</b>	<b>353.5</b>	<b>312.6</b>	<b>359.4</b>

2015 and 2016 data take into account only B&B Italia's figures, while 2017 data take also into account Arclinea ones.

While there has been marked growth in absolute terms, the situation is different if considered in light of the Company's revenues 27.6% increase between 2015 and 2017. Indeed, B&B Italia's Energy Intensity Index, measured as the ratio between energy consumption and revenues multiplied by a 1,000 factor, has remained stable –slightly shifting from a value of 353.5 to 359.4 in the considered period<sup>[302-3]</sup>, demonstrating a decoupling in growth and energy consumption.

These trends have also been influenced by our commitment to operate a rationalization of energy consumption through specific energy efficiency initiatives. B&B Italia, for instance, in 2017 invested in the change of the window fixtures of the Novedrate plant, leading to a consistent reduction in consumption levels and to a higher employee well-being. This project will continue in 2018, through the substitution of doors and windows within the factory. Similarly, Arclinea has operated a substitution of several transformers in 2016 and 2017, leading to an improvement in the overall energy efficiency of the Company.

### 2.2.2 GHG emissions

In accordance to the *GHG Protocol Corporate Accounting and Reporting Standard*, B&B Italia identified and monitored all relevant direct GHG emissions (scope 1) and those indirect resulting from energy purchase (scope 2). As required by the GHG Protocol, emissions from biomass combustion (wood offcuts for heating in Misinto and Caldogno) are separately reported. Moreover, whereas data were available and reliable, the Company started to estimate its indirect emissions occurring outside of the Company, in particular those resulting from the business travel, as shown in the table below<sup>[305-1; 305-2; 305-3]</sup>.

GHG EMISSIONS (*)	Unit	2015	2016	2017
<b>Direct Emissions (Scope 1)</b>	<b>tCO<sub>2</sub> eq</b>	<b>2,472.7</b>	<b>2,375.8</b>	<b>2,990.4</b>
<i>Emission resulting from natural gas heating and diesel emergency generators</i>	tCO <sub>2</sub>	2,224.8	2,149.7	2,439.6
<i>Emission resulting from biomass (N<sub>2</sub>O and CH<sub>4</sub> emissions which are not absorbed during growth) – wood offcuts for heating in Misinto and Caldogno</i>	tCO <sub>2</sub> eq	2.7	8.4	27.6
<i>Emissions resulting from fuel used for Company's car fleet</i>	tCO <sub>2</sub>	165.4	172.2	192.9
<i>Emissions resulting from fuel used for Company's car fleet</i>	tCO <sub>2</sub> eq	-	-	303.3
<i>Emissions of refrigerant gases resulting from leakages of air-conditioning systems</i>	tCO <sub>2</sub> eq	79.9	45.5	26.9
<b>Indirect Emissions (Scope 2) – Location based method</b>	<b>tCO<sub>2</sub></b>	<b>1,559.2</b>	<b>1,602.1</b>	<b>2,296.0</b>
<b>Indirect Emissions (Scope 2) – Market based method</b>	<b>tCO<sub>2</sub></b>	<b>1,735.1</b>	<b>1,783.0</b>	<b>2,446.1</b>
<i>Emissions resulting from electricity purchased from national grid</i>	tCO <sub>2</sub>	1,559.2	1,602.1	2,296.0
<i>Emissions resulting from electricity purchased from national grid</i>	tCO <sub>2</sub>	1,735.1	1,783.0	2,446.1
<b>Other indirect Emissions (Scope 3)</b>	<b>tCO<sub>2</sub> eq</b>	<b>274.7</b>	<b>279.7</b>	<b>239.0</b>
<i>Emissions resulting from business travels (air)</i>	tCO <sub>2</sub> eq	274.7	279.7	239.0
<b>Total (Scope 1 + 2 + 3)</b>	<b>tCO<sub>2</sub> eq</b>	<b>4,306.6</b>	<b>4,233.7</b>	<b>5,525.4</b>
<i>Outside of scopes: emissions resulting from biomass combustion – wood offcuts for heating in Misinto and Caldogno</i>	tCO <sub>2</sub>	75.5	227.9	768.7

(\*) Data do not include overseas shops - (\*\*) Data not monitored - (\*\*\*) Only Scope 1 and 2 figures available

Coherently with energy consumption trends, our scope 1 and 2 emissions increased by 31.1% from 2015 to 2017, i.e. from 4,031.9 to 5,286.4 tCO<sub>2</sub> eq<sup>1</sup>, mainly due to the inclusion of Arclinea in the computation. In fact, taking into account B&B Italia S.p.A. only, scope 1 and 2 emissions increased only by 6.3%, from 4,031.9 to 4,286.9 tCO<sub>2</sub> eq<sup>1</sup>.

In 2017 overall emissions increased by 28.3% compared to 2015, from 4,306.6 tCO<sub>2</sub> eq<sup>1</sup> to 5,525.4 tCO<sub>2</sub> eq<sup>1</sup>. Actually, albeit increased, the trends in overall GHG emissions levels also showed a decrease in Scope 3 emissions, from 274.7 tCO<sub>2</sub> eq<sup>1</sup> to 239.0 tCO<sub>2</sub> eq<sup>1</sup>. This latter trend is related to the progressive reduction of business travels, signaling the increasing synergies among Group companies, enabling us to reduce the recourse to physical meetings.

“All fine architectural values are human values, else not valuable.”

Frank Lloyd Wright, interior designer, writer and architect

## 1. Our people

The attention to the creation of a positive and trustful working environment and the strong relations with the local territory are key elements of our history. The capacity to build and maintain these ties over time relate to the Company's commitment to integrity and dialogue with its employees and to its contribution to the social and economic wealth of the area where B&B Italia is traditionally located: a “timeless responsibility” which is deeply rooted into the Company's corporate identity. This is true both for the Monza and Brianza district, where B&B Italia S.p.A. is based, and for the Vicenza region, since most of our employees live no farther than 30 kilometers from our plants.

Local employees by provenance <sup>5</sup>	2016	2017
Within 15 kilometres	64%	76%
From 15 to 30 kilometres	28%	18%
More than 30 kilometres	8%	6%

At the end of 2017, we employed a total of 618 people, 92.6% of which works in our Italian sites. The increase in the overall amount of employees is mainly due to the inclusion of Arclinea in the computation, since B&B Italia S.p.A. employed only 2 people more than in 2016 (470, compared to 468) and the foreign affiliates employed 3 more people (45, compared to 42, comprising 1 contract worker) <sup>[102-7; 102-8]</sup>.

### Total Employees by employment relation

B&B Italia Workforce	Unit	2015	2016	2017
Employees	n.	487	510	616
of which in Italy	n.	452	468	572
of which in foreign countries	n.	35	42	44
Interns*	n.	0	0	1
Contract workers*	n.	2	0	1
Project workers*	n.	0	0	0
<b>Total workforce</b>	<b>n.</b>	<b>489</b>	<b>510</b>	<b>618</b>

(\*) none of these categories were present in foreign countries.

The contractual forms in place witness B&B Italia's commitment to building stable and positive relations with its employees. Indeed, in 2017, the Company decided to limit again its recurrence to Contract or Project workers, with only 1 Contract worker employed, and 93% of employees had a permanent contract, with very little change compared to previous years. This trend is visible both in Italy and in foreign countries, where no additional workers were involved from outside the Company and 100% of employees had a permanent contract in all the reported years. The same consideration is valid also for what concerns full-time contracts, which overall represent around 97% of the employment contracts signed by the Company.

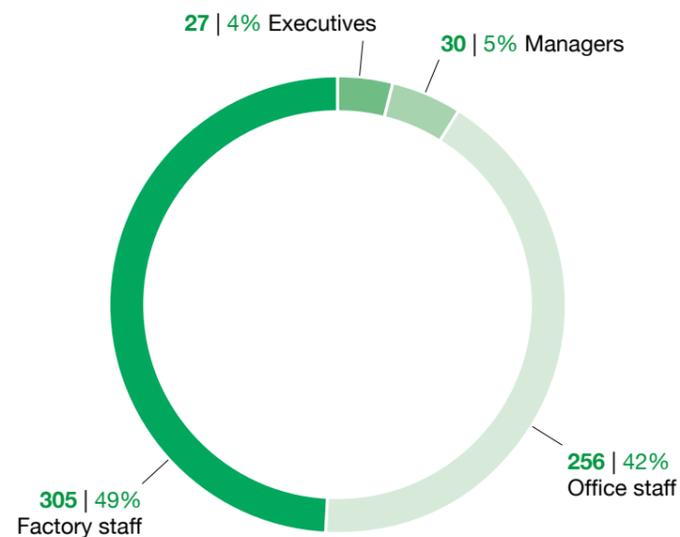
— Sustainability Report  
**Timeless  
 Responsibility**

Employees by type of contract	Unit	2015	2016	2017
Permanent Contracts - total	n.	456	470	572
<i>Women</i>	n.	175	176	205
<i>Men</i>	n.	281	294	367
Temporary Contracts - total	n.	31	40	44
<i>Women</i>	n.	12	7	6
<i>Men</i>	n.	19	33	38
Full-time Contracts	n.	481	504	598
Part-time Contracts	n.	6	6	18

Contract workers and interns have been excluded from this table

In the last three years, B&B Italia presented a relatively stable workforce in terms of gender diversity, with a majority of male workers mainly related to men preponderance in manufacturing activities (representing around 66% of total workers in 2017, while women account for the remaining 34%). Over the same time span, we also saw an increase in the number of under-30 and over-50 employees (representing the 8% and the 31% of our total workforce, respectively), signaling our willingness to employ a growing number of young talents, as well as to retain our best employees. In Arclinea, for instance, a vast majority of employees have remained with the Company for their whole career.

Subdivision of employees by employment category, expressed in total amounts and percentage (2017)



Employees by employment category, gender and age range, 2015-2017

Employee diversity	Unit	2015	2016	2017
<b>Executives - Total</b>	<b>n.</b>	<b>22</b>	<b>23</b>	<b>27</b>
<i>Women</i>				
< 30 years	n.	0	0	0
30 < x < 50 years	n.	4	3	3
> 50 years	n.	3	4	5
<b>Total</b>	<b>n.</b>	<b>7</b>	<b>7</b>	<b>8</b>
<i>Men</i>				
< 30 years	n.	0	0	0
30 < x < 50 years	n.	6	5	6
> 50 years	n.	9	11	13
<b>Total</b>	<b>n.</b>	<b>15</b>	<b>16</b>	<b>19</b>
<b>Managers - Total</b>	<b>n.</b>	<b>15</b>	<b>14</b>	<b>30</b>
<i>Women</i>				
< 30 years	n.	0	0	0
30 < x < 50 years	n.	3	2	5
> 50 years	n.	1	1	4
<b>Total</b>	<b>n.</b>	<b>4</b>	<b>3</b>	<b>9</b>
<i>Men</i>				
< 30 years	n.	0	0	0
30 < x < 50 years	n.	7	7	14
> 50 years	n.	4	4	7
<b>Total</b>	<b>n.</b>	<b>11</b>	<b>11</b>	<b>21</b>
<b>Office staff - Total</b>	<b>n.</b>	<b>182</b>	<b>185</b>	<b>254</b>
<i>Women</i>				
< 30 years	n.	8	11	17
30 < x < 50 years	n.	86	81	107
> 50 years	n.	17	20	25
<b>Total</b>	<b>n.</b>	<b>111</b>	<b>112</b>	<b>149</b>
<i>Men</i>				
< 30 years	n.	5	4	6
30 < x < 50 years	n.	52	53	70
> 50 years	n.	14	16	29
<b>Total</b>	<b>n.</b>	<b>71</b>	<b>73</b>	<b>105</b>
<b>Factory staff - Total</b>	<b>n.</b>	<b>231</b>	<b>246</b>	<b>305</b>
<i>Women</i>				
< 30 years	n.	1	1	0
30 < x < 50 years	n.	23	18	24
> 50 years	n.	12	15	21
<b>Total</b>	<b>n.</b>	<b>36</b>	<b>34</b>	<b>45</b>
<i>Men</i>				
< 30 years	n.	13	22	25
30 < x < 50 years	n.	124	127	150
> 50 years	n.	58	63	85
<b>Total</b>	<b>n.</b>	<b>195</b>	<b>212</b>	<b>260</b>

Against this backdrop, B&B Italia works to ensure the respect of diversity and equal opportunities and rejects any discriminatory practice. The Company has an inclusive approach to legally protected status and is committed to promote gender parity. Salary discrepancies between men and women show a substantially stable outlook, with pay gaps ranging from a 80% discrepancy between men and women for office staff, and an almost equal salary for factory workers. The situation is similar when taking into account employees' overall remuneration, i.e. their basic salary plus benefits and allowances. Indeed, in this latter case there has been a shift in executive remuneration ratios, due to the inclusion of Arclinea but also to the retirement of a former woman executive, while female factory staff currently have a higher remuneration (102%) compared to their male peers <sup>[405-2]</sup>.

Ratio Between Female and Male Basic Salary	Unit	2015	2016	2017
Executives	%	82%	84%	93%
Managers	%	93%	95%	89%
Office staff	%	89%	88%	80%
Factory staff	%	96%	99%	97%

Ratio Between Female and Male Overall Remuneration	Unit	2015	2016	2017
Executives	%	83%	100%	74%
Managers	%	107%	91%	86%
Office staff	%	86%	91%	80%
Factory staff	%	105%	110%	102%

B&B Italia's integrity and attention to its employees resulted into relatively low turnover rates between 2015 and 2017. Indeed, the turnover rate, which had remained stable around 6% in the 2015-2016 biennium, has slightly augmented in 2017, reaching 11%. This is mainly related to the inclusion of Arclinea in the computation, since the overall amount of terminations have increased only by 8 units.

On the contrary, the hiring rate – measured as the ratio between the number of new hires and total employees – has pronouncedly increased from 9% to 17% in the 2015-2017 period, mainly driven by the Company's business growth and the reinforcement of certain functions following the acquisition of Arclinea<sup>[401-1]</sup>. In particular, we have started several initiatives aimed at attracting new talents, by collaborating with local and national schools and institutions. For instance, Arclinea has started a partnership with the technical high school institute in Padua, which is specialized in carpentry and wood processing, by offering a series of internship opportunities. As a result, in 2017 alone two students have been hired following the completion of the programme. Furthermore, in order to facilitate young people' access into the Company, since 2003, B&B Italia collaborates with the *Jean Monnet Technical & Commercial Institute* at Mariano Comense, promoting an internship program to accompany final year students in their first work experience.

Employee turnover	Unit	2015	2016	2017
<b>Terminations Total</b>	<b>n.</b>	<b>27</b>	<b>32</b>	<b>40</b>
Men				
< 30 years	n.	3	1	5
30 < x < 50 years	n.	7	12	9
> 50 years	n.	5	7	12
<b>Total</b>	<b>n.</b>	<b>15</b>	<b>20</b>	<b>26</b>
Women				
< 30 years	n.	-	-	5
30 < x < 50 years	n.	6	10	9
> 50 years	n.	6	2	0
<b>Total</b>	<b>n.</b>	<b>12</b>	<b>12</b>	<b>14</b>
<b>Turnover rate</b>	<b>%</b>	<b>6%</b>	<b>6%</b>	<b>11%</b>

Employee hirings	Unit	2015	2016	2017
<b>New hire Total</b>	<b>n.</b>	<b>40</b>	<b>50</b>	<b>59</b>
Men				
< 30 years	n.	6	15	12
30 < x < 50 years	n.	15	22	26
> 50 years	n.	5	3	4
<b>Total</b>	<b>n.</b>	<b>26</b>	<b>40</b>	<b>42</b>
Women				
< 30 years	n.	3	4	6
30 < x < 50 years	n.	11	6	11
> 50 years	n.			0
<b>Total</b>	<b>n.</b>	<b>14</b>	<b>10</b>	<b>17</b>
<b>New hire rate</b>	<b>%</b>	<b>9%</b>	<b>11%</b>	<b>17%</b>

## 2. Training and welfare activities

B&B Italia considers the enhancement of its employees' skills as important to continue to be up to date and provide clients with "timeless quality" and innovative solutions. Each year the Company conducts a series of training activities, from purely technical (i.e. technical applications and design software, regulatory updating on national and international commerce practices, etc.) to soft skills courses such as foreign languages or public speaking techniques.

In the last three years, in Italy, the total amount of training hours has grown by 27%, from 1,151 total hours in 2015 to 1,461 in 2017, which led to an increase in training hours per capita from 2.6 hours in 2015 to 6.2 in 2017.<sup>[404-1]</sup>

### Training by gender and employee categories, 2015-2017

Training per employee	Unit	2015	2016	2017
Total hours	h	1,151	1,804	1,461
Women	h	445	658	438
Men	h	706	1,146	1,023
Average hours	h/employee	2.6	3.9	6.2
Women	h/employee	2.8	4.2	6.4
Men	h/employee	2.4	3.7	6.1
<b>Training by category*</b>	<b>Unit</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Training provided to Executives	h/employee	1.6	1.0	4.4
Training provided to Managers	h/employee	3.2	3.3	1.2
Training provided to Office staff	h/employee	4.0	4.4	1.7
Training provided to Factory staff	h/employee	1.4	3.7	2.2

\*The subdivision by employee category is not available for Arclinea, given the impossibility of gathering the corresponding data.

Concerning welfare initiatives, since November 2017 B&B Italia offers its employees a transport and assistance service for their disabled relatives or family members, in partnership with the Associazione Antreas Onlus. Furthermore, B&B Italia has signed an agreement with Monza Analysis Centre (CAM), covering the staff for medical diagnosis and treatments and has provided its employees with the possibility to draw from their workers severance pay in case of need (such as the purchase of a house or special medical expenses).

### 3. Health and wellbeing

The protection of employees' health and safety is at the center of B&B Italia's corporate culture. As such, in the past few years we have focused on increasing employees' awareness on the potential health and safety risks connected to their working activity. As a result, the number of injuries has decreased by two units, from 10 to 8, between 2015 and 2017, while the injury rate, which takes into account the addition of Arclinea and the foreign affiliates to computation, has almost halved, decreasing from 13.3 to 7.7. In the same time period, we have also seen a consistent decrease in the overall lost day rate (which moved from 0.45 to 0.22) and in the absentee rate (which shifted from 3.81% in 2015 to 3.49% in 2017) <sup>[403-2]</sup>.

Health and safety indexes	Unit	2015	2016	2017
Number of injuries	n.	10	8	8
Injury rate (number of injuries/hours worked x 1,000,000)	n.	13.3	10.1	7.7
Lost day rate (number of lost days for injuries/hours worked x 1,000)	n.	0.45	0.19	0.22
Absentee rate (number of lost days for illness/ workable days)	%	3.81	4.03	3.49
Occupational diseases	n.	-	-	-

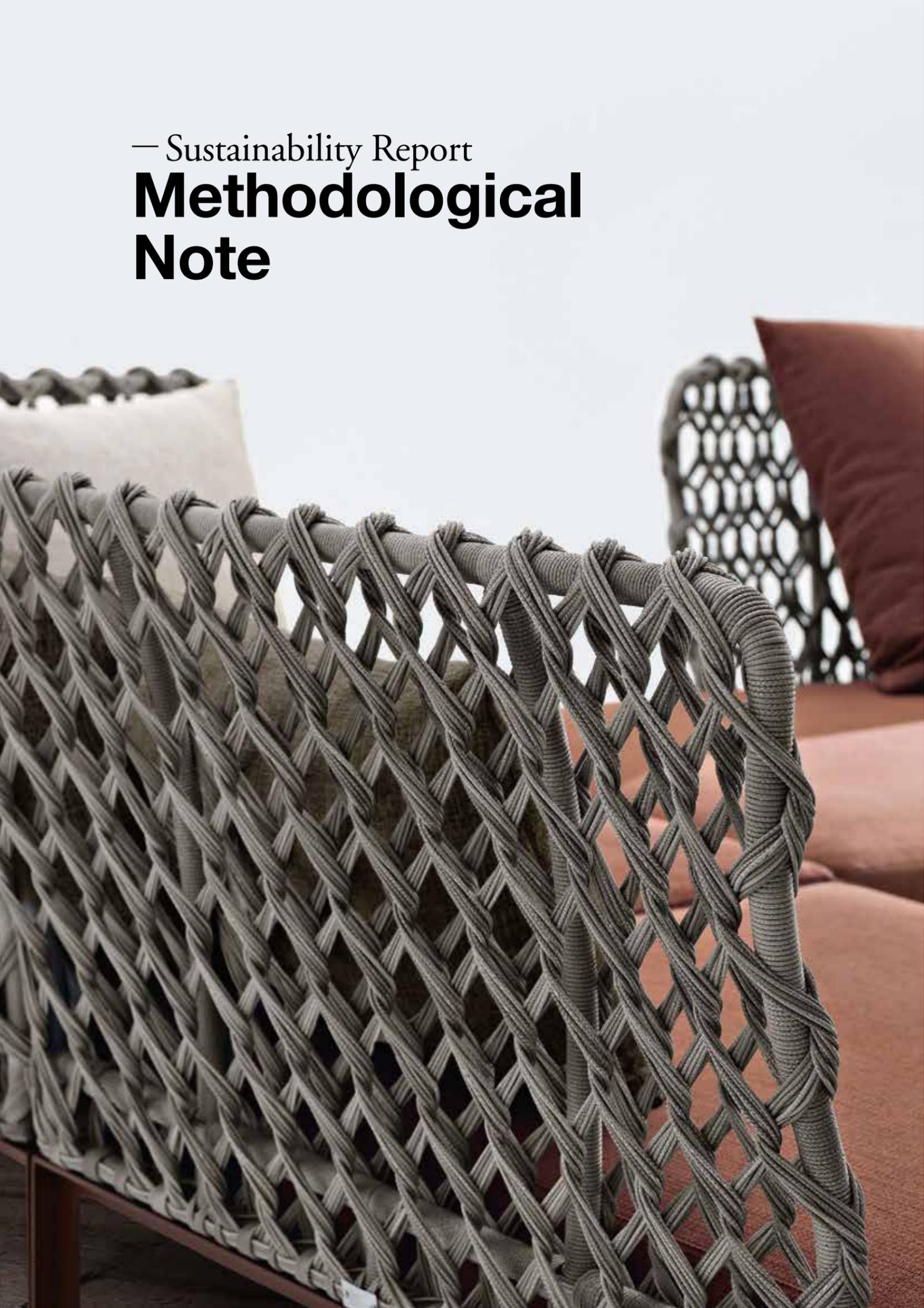
(\*) No injury occurred to workers other than B&B Italia employees.

These achievements are linked to B&B Italia's Safety Management System, that, as requested by Legislative Decree n. 105/15 on the Prevention of Relevant Accidents (in which both Novedrate and Misinto sites fall), establishes the framework of internal rules and risk mitigation action plans. To comply with this regulation, every year the Company conducts a specific analysis related to the risk of relevant accidents related to polyurethane inflammability, with the support of specialized external staff. The focus on polyurethane is also due to the fact that, when burnt at high temperatures, it releases dangerous substances. For this reason, B&B Italia adopts strict preventative safety, storage and disposal measures (i.e. automatic and safety shutdown systems, containment tanks, fire barriers and precise measures in case of accidental release).

In order to increase employees' awareness and provide them with specific information on the functioning of the overall safety system, B&B Italia has set up an internal info-point on safety procedures at the Misinto facility and, every four months, arranges a meeting with the Safety Representative for Workplace Safety supported by a training program.

Arclinea, instead, has obtained the OHSAS 18001:2007 certification, an internationally applied British Standard for occupational health and safety management systems. The Company's management system has enabled it to monitor and map all the potentially risky activities and processes along the production chain in order to prevent the occurrence of injuries and occupational diseases. This effort has led to encouraging results, as demonstrated by the health and safety data reported above, and to the replacement of a series of tasks involving repetitive movements, potentially damaging for our workers.





— Sustainability Report  
**Methodological  
Note**

**Reporting principles  
and Criteria**

This document has been prepared in conformity with the GRI Sustainability Reporting Standards for the *In accordance* - Core option. As described in the paragraph “Stakeholders and material issues” (§ 3.2), coherently with the GRI Standards, the contents of this report respects the results of B&B Italia materiality analysis.

As a signatory to the United Nations Global Compact (UNGC) Initiative from 2016, this report represents B&B Italia's second Communication on Progress – a public disclosure providing valuable information to stakeholders in implementing the 10 principles of the UNGC (for further information, please refer to § 3.1). For this reason, the UNGC principles are clearly mapped versus the GRI indicators in the GRI Content Index on page 58.

With regard to Human Rights, B&B Italia's 2016 Sustainability Report does not directly address the UNGC issues and principles, since the major part of the Company's direct activities and suppliers are located where laws ensures the regulation of human rights. Nevertheless, B&B Italia includes clauses on labor conditions and on the respect of human rights in its Code of Ethics in order to reduce risks in its value chain. Moreover, relevant human rights issues related to B&B Italia's activities, such as the protection of worker's occupational health and safety is an issue on which the Company is continuously committed to report on.

**Scope of reporting**

This Sustainability Report provides information on initiatives, activities and the related key performance indicators and refers to the period from January 1<sup>st</sup>, to December 31<sup>st</sup> 2017 and, where available, as well as presented for the three years 2015, 2016 and 2017. The information refer to B&B Italia S.p.A., Arclinea S.p.A. and, when applicable, comprises data related to commercial branches and foreign affiliate companies. Exceptions to such scope are explicitly reported in the text <sup>[102-45; 102-50; 102-51; 102-52]</sup>.

This Sustainability Report represents a vivid commitment for B&B Italia to monitor and optimize its sustainability performance and strengthen its activities in the social and environmental domains. With this document, the Company aims not only at complying with social expectations and at reinforcing the communication to stakeholders on the results achieved, but also at improving internal awareness on sustainable development.

**Material issues**

The following table outlines the connections between B&B Italia's material issues (as described in detail in Chapter 1) and the corresponding GRI guidelines topics (Topic-specific Disclosures). In addition, the table provides the impacts related to each material aspect, generated both within and outside the organization, named as reporting “boundaries”. The table also reports any potential reporting limitation due to the current unavailability of data and information relating to the external perimeter.

B&B ITALIA'S MATERIAL ASPECTS	GRI MATERIAL TOPICS	ASPECT BOUNDARY		LIMITATIONS OF REPORTING ON BOUNDARY	
		Within the organization	Outside the organization	Within the organization	Outside the organization
Creativity and innovation	-	B&B Italia S.p.A.	Designers, architects and interior decorators	-	Designers, architects and interior decorators
Eco-design and product environmental impacts	Environmental Compliance	B&B Italia S.p.A.	Clients Suppliers	-	Clients Suppliers
	Socioeconomic Compliance	B&B Italia S.p.A.	Clients Suppliers	-	Clients Suppliers
Diversity and equal opportunities	Diversity and Equal Opportunities	B&B Italia S.p.A.	-	-	-
Employee care	Employment	B&B Italia S.p.A.	-	-	-
	Occupational Health and Safety	B&B Italia S.p.A.	-	-	-
Energy efficiency and climate change	Emissions Energy	B&B Italia S.p.A.	Suppliers	-	Suppliers
	Human rights assessment	-	Suppliers	-	Suppliers
Responsible sourcing and human rights safeguard	Procurement Practices	B&B Italia S.p.A.	Suppliers	-	Suppliers
	Materials	B&B Italia S.p.A.	Suppliers <sup>6</sup>	-	-
Occupational Health and Safety	Occupational Health and Safety	B&B Italia S.p.A.	Suppliers	-	Suppliers
Product durability, functionality, quality and safety	Customer health and safety	B&B Italia S.p.A.	Clients Customers Dealers	-	Clients Customers Dealers
Skill development	Training and Education	B&B Italia S.p.A.	-	Arclinea	-

**Quality reporting principles**

The drafting of B&B Italia's Sustainability Report is conducted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. This document is a tool that allows the identification of not only strengths and weaknesses, but also possible areas of improvements for the Company <sup>[102-54]</sup>.

The data collection and reporting process is structured in order to guarantee the comparability over the reporting years and the clearly interpretation of information by the key stakeholders. EY Italian *Climate Change and Sustainability Services* team supported B&B Italia in the drafting of its Sustainability Report since the first edition in 2016.

B&B Italia' Sustainability Report is not subject to external assurance <sup>[102-56]</sup>.

**Calculation methodologies**

Below, methodologies and assumptions used to calculate performance indicators included in the Report are reported.

The following table shows the conversion factors used:

Fuel density	UK DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors - Full set, 2016 and 2017
LCV (Lower Calorific Value)	Italian Ministry for Environment (Ministero dell'Ambiente e della Tutela del Territorio e del Mare, Tabella parametri standard nazionali, 2016 and 2017)

Greenhouse gases emissions have been calculated basing on the principles included in the GHG Protocol Corporate Accounting and Reporting Standard. Concerning the GHG emissions calculation, following the emission factors applied and the related assumptions are reported:

<sup>6</sup> Materials used by suppliers are accounted in B&B's amounts.

**GHG EMISSIONS SCOPE 1**

Source	Activity data	Emission factor	Gwp
Natural gas for heating			
Fuel oil for production processes			
Car fleet (long term leasing)	Fuel consumption	Italian Ministry for Environment (Ministero dell'Ambiente e della Tutela del Territorio e del Mare, Tabella parametri standard nazionali, 2017)	Only CO <sub>2</sub> emissions were considered
Car fleet (long term leasing)			
Biomass			
Leakages from air-conditioning systems of refrigerant gases	Leakages	IPCC Fifth Assessment Report (AR5)	GWPs have been calculated considering the refrigerant gases composition found on safety datasheets

GHG emissions from the electricity purchased from the national grid have been calculated both with the location-based and the market-based method. The first one reflects the average emission intensity of grids taking into account both renewable and non-renewable productions while the second one reflects emissions from the electricity source that the company has purposefully chosen, through, for instance, contractual instruments.

Since B&B Italia does not have any type of contract for the sale and purchase of energy bundled with attributes about the energy generation and emissions, for the market-based method, a residual mix emission factor has been used.

**GHG EMISSIONS SCOPE 2 – LOCATION BASED METHOD**

Source	Activity data	Emission factor	Gwp
Electricity purchased from national grid	Electricity consumptions	Terna, Confronti internazionali, 2016	Only CO <sub>2</sub> emissions were considered

**GHG EMISSIONS SCOPE 2 – MARKET BASED METHOD**

Source	Activity data	Emission factor	Gwp
Electricity purchased from national grid	Electricity consumptions	AIB, European Residual Mixes 2016	Only CO <sub>2</sub> emissions were considered

**GHG EMISSIONS SCOPE 3**

Source	Activity data	Emission factor	Gwp
Business travels by air	Kilometers travelled by air	UK DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017	CO <sub>2</sub> (GWP = 1), CH <sub>4</sub> (GWP = 25) and N <sub>2</sub> O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4)

In accordance with the GHG Protocol Corporate Accounting and Reporting Standard, outside of scopes emissions have been calculated in order to take into account the direct carbon dioxide (CO<sub>2</sub>) impact of burning biomass. The emissions are labelled "outside of scopes" because the Scope 1 impact of these fuels has been determined to be a net zero since the fuel source itself absorbs an equivalent amount of CO<sub>2</sub> during the growth phase as the amount of CO<sub>2</sub> released through combustion.

**OUTSIDE OF SCOPE EMISSIONS**

Source	Activity data	Emission factor	Gwp
Biomass combustion – wood outcuts for heating in Misinto	Fuel consumption	UK DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017	CO <sub>2</sub> (GWP = 1), CH <sub>4</sub> (GWP = 25) and N <sub>2</sub> O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4)

Air emissions are calculated taking into account all pollutants relating to industrial process (for more information, see the Appendix), with exception to those deriving from biomass and natural gas boiler used to provide heating. The calculation is based on detection of pollutants concentrations, multiplied by estimated annual flows.

All data related to injuries are referred to B&B Italia employees (excluding contractors). Commuting injuries and first-aids are not included. Lost days and absentee days are calculated as working days. For injuries, lost days are calculated starting from the day of the injury. Injury rate and lost day rate are calculated taking into account only work-related accidents.

# Appendix Environmental Data

In addition to the information required by the GRI Standard with respect to each indicator linked to B&B Italia material topics, the Company closely monitors other environmental aspects connected to its industrial process, in a perspective of regulation compliance.

## Waste

Waste by disposal method	Unit	2015	2016	2017
<b>Non-hazardous waste</b>	<b>t</b>	<b>885.6</b>	<b>763.7</b>	<b>792.1</b>
Recycled	t	692.9	500.6	575.1
Incinerated	t	71.2	180.2	20.4
Landfilled	t	121.5	82.9	196.7
<b>Hazardous waste</b>	<b>t</b>	<b>45.0</b>	<b>68.8</b>	<b>57.6</b>
Recycled or reused	t	45.0	68.8	53.1
Incinerated	t	-	-	2.7
Landfilled	t	-	-	1.8
<b>Total</b>	<b>t</b>	<b>930.6</b>	<b>832.5</b>	<b>849.7</b>

Waste volumes and subdivision by disposal method. Totals do not take into account the foreign affiliates, since it was impossible to gather the corresponding data.

The percentage of B&B Italia's recycled waste has slightly increased from 64% in 2016 to 68% in 2017, mainly due to the reduction of incinerated waste volume. Considering that 2017 comprise also Arclinea's data, it is evident that the Group as a whole has substantially decreased its waste production levels.

## Air emissions

Moreover, every year, B&B Italia carries out an analysis on its air emissions, as requested by environmental authorizations in accordance with Legislative Decree n. 152/06. In 2017, the values recorded in all the emissions examined and in all the sampling performed were lower than the limits. B&B Italia's air emissions from industrial processes of the Novedrate, Misinto and Caldogno sites mainly relate to the polyurethane foaming phase and to wood processing, which implies 1.8 and 10.5 tons of particulate matter and T.O.C. – Total Organic Carbon, respectively.

Air emissions from the industrial process	Unit	2016	2017
Particulate matter	t	0.4	1.8
T.O.C.	t	10.1	10.5
Ammonia	t	0	0
Aliphatic amines (triethylamine)	t	0	0
Isocyanate	t	0	0

## Water

Water consumptions are reported on the following table. Total water consumption has remained stable in terms of overall amounts, despite the inclusion of Arclinea within the reporting scope. This is mainly due that in 2016 B&B Italia experienced an anomalous malfunctioning in its air conditioning system, which led to higher than usual consumption levels. In fact, taking into account that Arclinea consumed around 23,000 cubic meters of water in 2017, the remainder corresponding to B&B Italia's consumption actually shows a slight decrease compared to 2015 (from 32,628 to 31,879 cubic meters).

Water withdrawal by source	Unit	2015	2016	2017
<b>Total</b>	<b>m<sup>3</sup></b>	<b>32,628</b>	<b>56,056</b>	<b>55,124</b>

Totals do not take into account the foreign affiliates, since it was impossible to gather the corresponding data.

## GRI Content Index

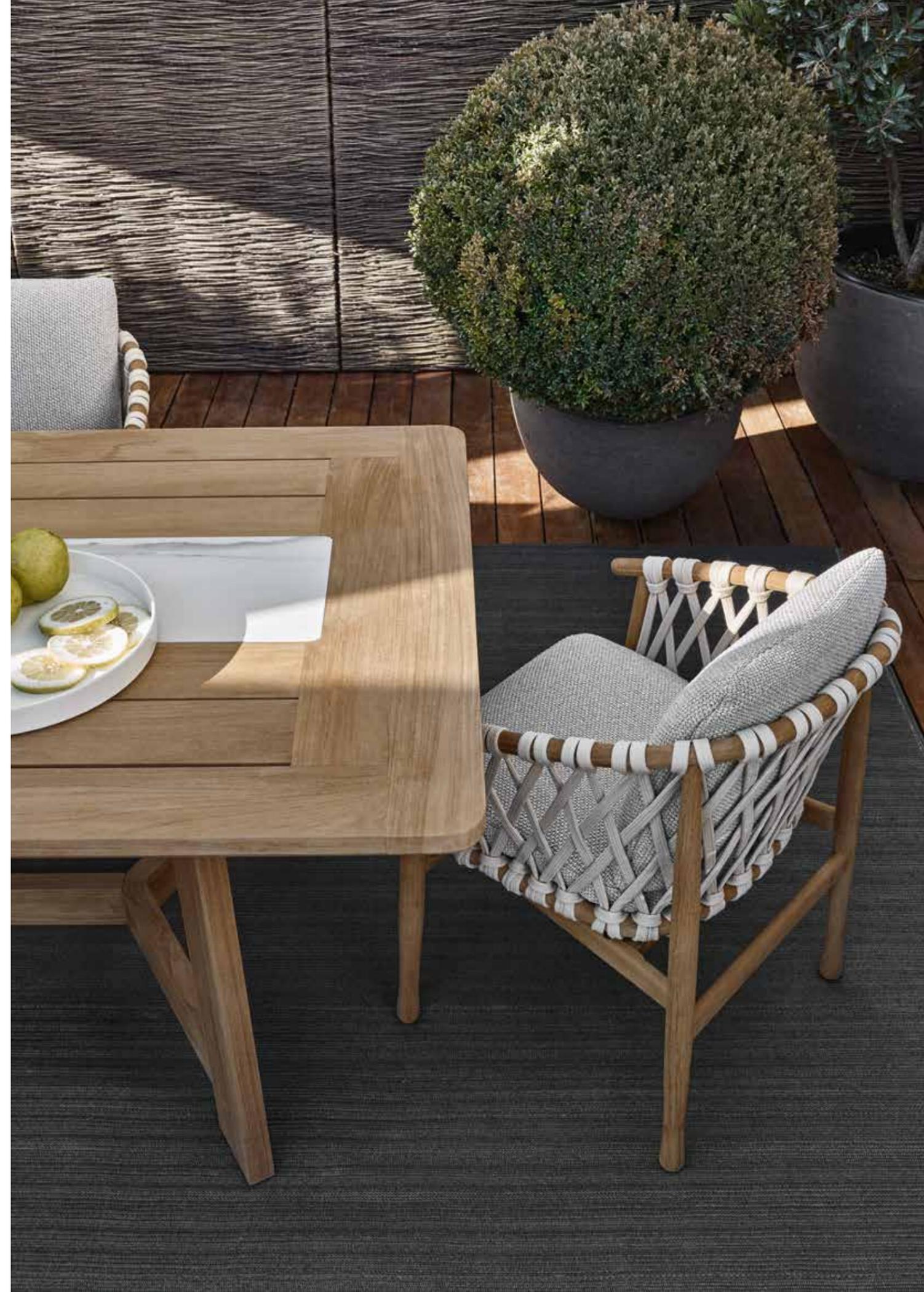
GRI Standard	Disclosure	Page
<b>GRI 101: Foundation 2016</b>		
<b>General Disclosures</b>		
GRI 102: General Disclosures 2016	<b>Organizational profile</b>	
	102-1 Name of the organization	7
	102-2 Activities, brands, products, and services	7
	102-3 Location of headquarters	8
	102-4 Location of operations	8
	102-5 Ownership and legal form	8
	102-6 Markets served	8
	102-7 Scale of the organization	45
	102-8 Information on employees and other workers	UN GC 45
	102-9 Supply chain	
	102-10 Significant changes to the organization and its supply chain	
	102-11 Precautionary Principle or approach	As of today, B&B Italia does not formally adhere or adapt its decision-making approach in accordance to the precautionary principle.
	102-12 External initiatives	
	102-13 Membership of associations	
	<b>Strategy</b>	
	102-14 Statement from senior decision-maker	UN GC § "A message to our stakeholders".
	<b>Ethics and integrity</b>	
	102-16 Values, principles, standards, and norms of behavior	14
	<b>Governance</b>	
	102-18 Governance structure	14
	<b>Stakeholder engagement</b>	
	102-40 List of stakeholder groups	20
	102-41 Collective bargaining agreements	UN GC All B&B Italia's employees in Italy are covered by collective bargaining agreements, as prescribed by national laws.
	102-42 Identifying and selecting stakeholders	20
	102-43 Approach to stakeholder engagement	20
	102-44 Key topics and concerns raised	20
	<b>Reporting practice</b>	
	102-45 Entities included in the consolidated financial statements	53
	102-46 Defining report content and topic Boundaries	20
	102-47 List of material topics	21
	102-48 Restatements of information	
	102-49 Changes in reporting	This is the first edition that also features Arclinea and part of B&B's foreign affiliates
	102-50 Reporting period	53
	102-51 Date of most recent report	53
	102-52 Reporting cycle	Yearly; 53
	102-53 Contact point for questions regarding the report	
	102-54 Claims of reporting in accordance with the GRI Standards	54
	102-55 GRI content index	
	102-56 External assurance	This report is not subject to external assurance; 54

GRI Standard	Disclosure	Page	Omission
<b>Material Topics</b>			
<b>GRI 200 Economic Standard Series</b>			
<b>Economic Performance</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	13	
<b>Procurement Practices</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	39	

GRI Standard	Disclosure	Page	Omission
<b>GRI 300 Environmental Standards Series</b>			
<b>Materials</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	UN GC	38
<b>Energy</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	UN GC	42
	302-3 Energy intensity	UN GC	42
<b>Emissions</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	UN GC	43
	305-2 Energy indirect (Scope 2) GHG emissions	UN GC	43
	305-3 Other indirect (Scope 3) GHG emissions	UN GC	43
<b>Environmental Compliance</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	UN GC	41

GRI Standard	Disclosure	Page	Omission
<b>GRI 400 Social Standards Series</b>			
<b>Employment</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	UN GC	48
<b>Occupational Health and Safety</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	UN GC	50 The information needed to cover this indicator are currently unavailable in terms of gender split
<b>Training and Education</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	UN GC	49
<b>Diversity and Equal Opportunity</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
	405-2 Ratio of basic salary and remuneration of women to men	UN GC	47
<b>Human Rights Assessment</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	UN GC	
	103-2 The management approach and its components	UN GC	
	103-3 Evaluation of the management approach	UN GC	
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	UN GC	39 The information needed to cover this indicator are currently unavailable

GRI Standard	Disclosure	Page	Omission
<b>GRI 400 Social Standards Series</b>			
<b>Customer Health and Safety</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	35	
<b>Socioeconomic Compliance</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	15	



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