

# SUSTAINABILITY REPORT 2018



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# INDEX

A message to our stakeholders	4
B&B Italia Group world	6
Fostering heritage and exploring innovation	16
Balancing products' quality and impacts	30
Valuing people and relationships	42
Methodological note	50
Appendix - Other environmental data and GRI Content Index	58



# A MESSAGE TO OUR STAKEHOLDERS

In 2018 we announced the creation of Design Holding, a global high-end interior design group that brings together a collection of prominent and complementary brands: Flos and Louis Poulsen in the lighting sector and B&B Italia Group in the furniture one. The idea behind Design Holding is to bring together companies that make excellence in design their founding value. For many decades, the history of industrial design has been marked by extraordinary iconic products generated by these companies through partnerships with legendary designers.

The creation of the group thus aims to connect businesses, each with their own strong and unique nature, under a unanimous banner of international growth based on shared values and visions. As a worldwide Group, we will have the potential for enhanced geographical reach, having access to widened sourcing and distribution networks, and the ability to better adapt to market evolution and to customers' changing expectations.

Beside working on the creation of Design Holding, in 2018, we renewed our environmental stewardship by taking the first step towards the inclusion of circular economy principles in designing our products through assessing products circularity. Indeed, the idea of improving products recyclability and circularity perfectly embodies our attitude towards long product life-cycle, innovative materials and manufacturing processes. Moreover, following Arclinea's commitment to support sustainable forest management and wood supply, B&B Italia obtained the FSC certification. Willing to promote the social and economic wealth of our local communities and people, we kept investing in everyone's development while ensuring positive and long-lasting relations.

In line with Design Holding's vision of fostering design culture and excellence, in 2018, we signed an agreement for the exclusive production and distribution of a selection of the iconic original pieces of Luigi Caccia Dominioni, under the historical Italian brand Azucena. Aiming to leverage the architect's legacy we also supported themed exhibitions as a tribute to its iconic modern-classic products. Along the same line, we continued to sponsor cultural initiatives in every artistic domain, from the design history to the culture of food.

We deeply believe that this new challenging beginning will be crucial for B&B Italia Group both for our economic growth and for strengthening our sustainability path. It is indeed only by true integration of business targets and sustainable development that we will be able to create value for all our stakeholders. The 2018 Sustainability Report thus supports our commitment to the Principles of the United Nations Global Compact and to transparently communicate our sustainability performance and philosophy.

**Giorgio Busnelli**  
*President*

**Gabriele Del Torchio**  
*Chief Executive Officer*

# B&B ITALIA GROUP WORLD



BAY  
Designer: Nipa Doshi and Jonathan Levien  
2018

## B&B Italia Group, an overview

**B&B  
ITALIA**

**MAXALTO**

**Arclinea**

**AZUCENA**

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>.

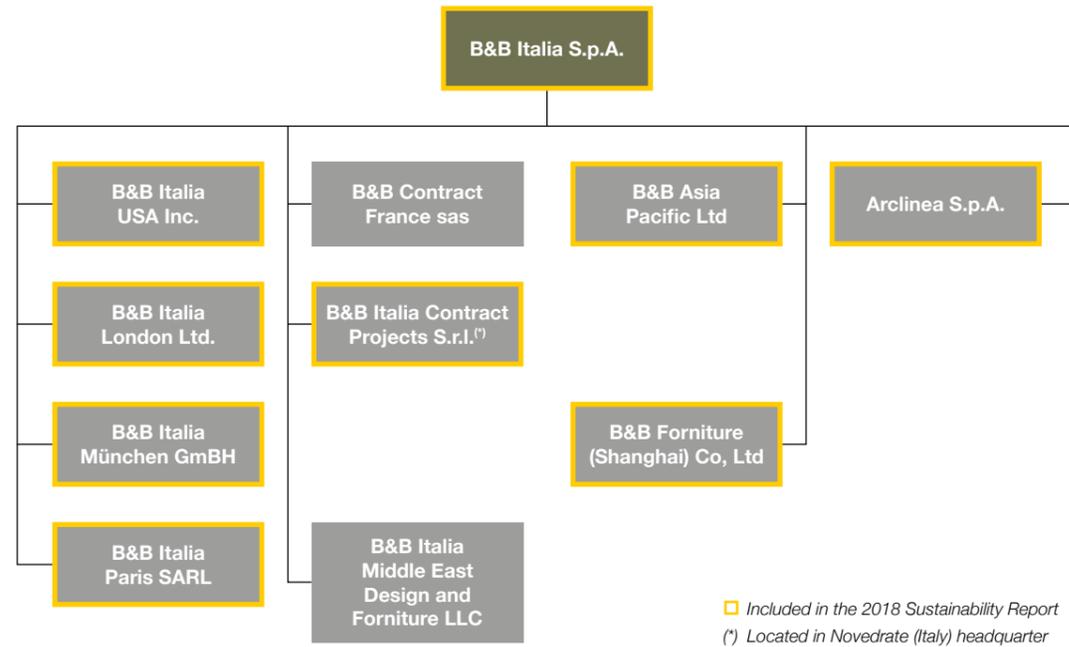
B&B Italia S.p.A. and its fully consolidated subsidiaries (hereinafter **B&B Italia Group**) is present on the residential furniture market with B&B Italia, Maxalto, Arclinea and Azucena brands. All of them are associated with unique collections and individual identities, yet express the same philosophy, namely a balanced blend of innovation and design to create products, whose unique style and elegance are unmistakable <sup>[102-2]</sup>.

Maxalto represents nowadays one of the Group’s most iconic brands and it is well recognized worldwide 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.

Arclinea, an Italian leader in high-end design kitchens, entered the B&B world in September 2016, when B&B Italia signed an agreement to become its majority shareholder. This strategic partnership enhanced the complementary nature of B&B Italia 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, Arclinea started its business activity as an artisanal laboratory specialized in wood processing. In the following decades, the Company 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 brand’s innovative traits and reputation.

At the end of 2017, B&B Italia Group acquired the Italian brand Azucena and, simultaneously, decided to produce and distribute Luigi Caccia Dominioni’s design icons. Founded in 1947 by Luigi Caccia Dominioni, Ignazio Gardella and Corrado Corradi Dell’Acqua, Italian undisputed masters of design and post-war architects, Azucena was created to gather the architects’ products, that combine formal elegance, understated luxury and an aesthetical purity in all their collections. Luigi Caccia Dominioni most iconic products include some of the most symbolic pieces of the Italian design history, such as the Catilina chair, the ABCD armchairs, the Toro sofa and pouf, the Cavalletto table and the lamps Poltrona and Imbuto.

With registered revenues of approximately Euro 217 million in 2018, B&B Italia Group is currently present in more than 100 countries worldwide and employs 626 people, mainly located in the Italian operating sites of B&B Italia (Novedrate and Misinto) and in the Arclinea plant (Caldogno). The remaining people are employed in various flagship stores and in the smaller commercial subsidiaries of the Group, namely B&B Italia USA Inc., B&B Italia London Ltd., B&B Italia München GmbH, B&B Italia Paris SARL, B&B Italia Pacific Ltd. and B&B Furniture (Shanghai) Co., Ltd. Following the Group's structure ad of December 31<sup>st</sup> 2018 is reported.



Over the years, the Group has created an exclusive network of 800 highly professional dealers and 8 flagship stores, cementing its international presence with the opening of wholly owned flagship stores in leading capital cities around the world. Today, for instance, eight B&B Italia Group flagship stores can be found in major design hotspots in Milan, London, Paris, Munich, New York (2 owned and managed stores), Dallas and Washington DC [102-3, 102-4, 102-6].

Among the various 2018-openings, in December B&B Italia inaugurated a new monobrand store in Shanghai, situated in the heart of Xintiandi, one of the most exclusive districts of Shanghai, characterized by a blend of history, tradition and luxury shopping streets. In addition, at the end of 2018 Arclinea launched its new flagship store in the heart of Beaupassage, a prestigious residential and commercial district in Paris. The store, over two-floors, shows the evolution of cooking spaces and perfectly suits the Parisian building complex with prestigious houses and high-quality food boutiques. Moreover, during the Milan Design Week 2018, Arclinea inaugurated its new flagship store in Via Durini, next to the B&B Italia one. Finally, the B&B Italia Group opened a new multi-brand store on Superior Street in Chicago, the first retail space in the United States dedicated to both B&B Italia, Maxalto, and Arclinea collections.

217 million revenues

5,433 tCO<sub>2</sub>eq GHG emissions

626 employees

> 95% employees with a permanent contract



ERICA  
 Designer: Antonio Citterio  
 2017

B&B Italia Group international presence

Americas

**B&B Italia**

- B&B Italia New York
- B&B Italia Madison Avenue
- B&B Italia Washington DC
- B&B Italia Los Angeles
- B&B Italia Chicago
- B&B Italia Miami
- B&B Italia Dallas
- B&B Italia San Francisco
- B&B Italia Seattle
- B&B Italia Sun Valley
- B&B Italia Mexico City
- B&B Italia Sao Paulo
- B&B Italia Belo Horizonte

**Arclinea**

- Arclinea @ Piacere Mexico
- Arclinea Los Angeles
- Arclinea New York
- Arclinea Chicago

**Maxalto**

- Maxalto Miami
- Maxalto Los Angeles
- Maxalto Chicago

Europe

**B&B Italia**

- B&B Italia Milano
- B&B Italia Genova
- B&B Italia London
- B&B Italia Paris
- B&B Italia Saint-Tropez
- B&B Italia Lyon
- B&B Italia Berlin
- B&B Italia München
- B&B Italia Wien
- B&B Italia Athens
- B&B Italia Cyprus
- B&B Italia Istanbul

**Arclinea**

- Arclinea Brussels
- Arclinea Paris - Boulevard Saint Germain
- Arclinea Paris - Rue De Grenelle Beaupassage
- Arclinea Frankfurt
- Arclinea Hamburg
- Arclinea Amsterdam
- Arclinea Breda
- Arclinea Barcelona
- Arclinea London

Asia

**B&B Italia**

- B&B Italia Tokyo
- B&B Italia Beijing
- B&B Italia Shanghai
- B&B Italia Nanjing
- B&B Italia Chengdu
- B&B Italia Shenzhen
- B&B Italia Foshan
- B&B Italia Wenzhou
- B&B Italia Guangzhou
- B&B Italia Hangzhou
- B&B Italia Hong Kong
- B&B Italia Kaohsiung
- B&B Italia Taipei
- B&B Italia Taichung
- B&B Italia Seoul
- B&B Italia Busan
- B&B Italia Bangkok
- B&B Italia Ho Chi Minh City
- B&B Italia Manila
- B&B Italia New Delhi

**Arclinea**

- Arclinea Beijing
- Arc Linea Hong Kong
- Arclinea Singapore
- Sif Korea

Middle East / Africa

**B&B Italia**

- B&B Italia Dubai
- B&B Italia Beirut
- B&B Italia Tel Aviv
- B&B Italia Accra



## Design Holding Group

Starting from November 2018, B&B Italia S.p.A. is fully controlled by Design Holding S.p.A., jointly controlled and owned by Investindustrial and The Carlyle Group. The new Design Holding Group, that is the largest global high-end design group with a European heritage, brings together three complementary companies with strong individual identities and significant design heritage: Flos and Louis Poulsen in lighting and B&B Italia Group <sup>[102-5]</sup>.

### Flos

Recognized globally for its iconic design and technological innovation, Flos is a leading Italian high-end lighting brand, both in the residential and architectural segments, with two main operational headquarters in Brescia (Italy) and Valencia (Spain). Since its foundation in 1962, Flos products have received numerous international awards and many of them are now featured in the permanent collections of leading international art and design museums such as the MoMA in New York, the Victoria & Albert Museum in London and Le Centre Pompidou in Paris. A unique feature in Flos is the longstanding exclusive relationships with world-renowned designers and architects such as the Castiglioni brothers, Michael Anastasiades, Antonio Citterio, and Patricia Urquiola. Flos exports to more than 90 countries worldwide and is present globally through flagship stores in Milan, Rome, Paris, New York, Tokyo, Lyon, Amsterdam, Copenhagen, Oslo and Stockholm.

### Louis Poulsen

Louis Poulsen is a leading lighting brand with an iconic product portfolio focused on Danish design heritage, with headquarters in Copenhagen and production facilities in Vejen (Denmark), that offers a high-end product range for both indoor and outdoor applications. Louis Poulsen combines iconic designs stemming from the work of golden age Danish designers, such as Poul Henningsen, Arne Jacobsen, Finn Juhl and Verner Panton, and collaborations with leading modern designers such as Christian Flindt, Shoichi Uchiyama and Louise Campbell. The Company has a global distribution network with more than 50 countries served, and dedicated showrooms in Copenhagen, Stockholm, Miami, Helsinki, Vejen, Oslo, Los Angeles, Singapore, Tokyo and Dusseldorf.



**CARATOS**  
Designer: Antonio Citterio  
2019

## Economic performance

Inspired by the dynamism and insight of its founder, in the last few years B&B Italia Group has efficiently responded to the trends and challenges that characterize the furniture and upholstered sectors. Internationalization has been a key element in these regards: foreign markets account today for around 80% of the Group'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 significantly in the last few years, performance destined to become even stronger after the opening of several B&B Italia Group flagship stores in China, that leads the way in this part of the world.

Thanks to its strategy centered on products' quality and durability, and by constantly investing in innovation and research, the Group has achieved positive economic performance in the last few years. B&B Italia Group economic value generated has increased by 9.4% in 3 years, from Euro 190.6 million to Euro 208.5 million: this is only partially due to the inclusion of Arclinea in the overall calculation since 2017, and signals the continuous revenue growth the Group have been experiencing.

This resulted in a 4.4% increase in the economic value distributed to major stakeholders between 2017 and 2018, from Euro 183.2 million to Euro 191.2 million in 2018. 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 Group's growth <sup>[201-1]</sup>.

Value generated and distributed (all data are expressed in k€)	2016*	2017	2018	Change 2018-2017 (%)
Direct economic value generated	190,621	211,432	208,548	-1.4%
Direct economic value distributed	166,483	183,151	191,186	4.4%
Operating costs	120,979	134,900	146,451	8.6%
Employee wages and benefits	30,927	35,389	35,408	0.1%
Payments to providers of capital	7,055	5,867	7,658	30.5%
Payments to government	7,450	6,958	1,647	-76.3%
Community investment	72	37	22	-40.5%
Economic value retained	24,138	28,281	17,362	-38.6%

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

## Corporate governance

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

- **A Board of Directors**, comprising four members<sup>1</sup>, following the creation of Design Holding Group, which, together with the Design Holding Board of Directors, is entrusted with the power 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.

<sup>1</sup> Among them, one board member is between 30 and 50 years old, while the remaining three members are more than 50 years old. All the board members are male.

The Group also appointed an independent auditing firm <sup>[102-18]</sup>.

#### 2018 Company Board and Officers

Governance body	Role	Member
<b>Board of Directors</b>	President	Giorgio Busnelli
	CEO	Armin Broger
	Directors	Maurizio Bottinelli Francesco Malvezzi
<b>Board of Auditors</b>	Chair	Mara Vanzetta
	Titular members	Maurizio Maffei Massimiliano Di Maria
	Alternate members	Silvia Benzoni Viviana Arena
<b>External auditors</b>		KPMG S.p.A.
<b>Corporate Governance Panel</b>	Chair	Gabriele Faggioli Mario Introzzi

#### Recent facts affecting corporate governance and structure

In April 2019, Gabriele Del Torchio has been named as the new Chief Executive Officer (CEO) of both B&B Italia S.p.A. and Design Holding. The appointment has been motivated by the long-standing experience that Mr. Del Torchio has gained by working for internationally renowned companies.

In addition, in April 2019 B&B Italia concluded the Arclinea integration process by acquiring 100% of the subsidiary company, now fully controlled.

#### Corporate values and risk management activities

Since its foundation, the Group has been guided by a set of key ethical values to which it still commits, comprising legal and regulatory compliance, transparency, loyalty, fairness, impartiality, good faith and the development of human resources. These values are encompassed in the Code of Ethics of B&B Italia and Arclinea. Through the Code, the Companies interpret the concept of integrity not only as a set of rules to follow, but as an integral part of their business conduct. This means that consideration of ethics is part of Companies' business activities involving 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 Companies 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 Group'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 alike. Compliance with the Code is also explicitly required by all outside parties, which have dealings with the Group and/or act on its behalf for any reason, and by anyone undertaking actions related to B&B Italia Group.

Furthermore, the Code is one of the tools to guarantee the effective prevention, detection of and contrast to infringements of applicable laws and the regulations. 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 crimes for which there is an administrative liability, as provided by the Italian Legislative Decree 231/01 (hereinafter called "Model 231").

For both Companies the design of Model 231 has included an analysis of the main risks and the mapping of operating areas potentially subject to those risks. As foreseen by 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 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.

## What sustainability means for B&B Italia Group

Thanks to the effective functioning of its compliance and ethics systems, B&B Italia Group did not incur in any significant monetary and non-monetary sanctions, including anti-corruption ones, during reporting years 2016-2018 <sup>[419-1]</sup>.

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

Durability, in fact, is an unmistakable mark of B&B Italia Group's identity. It describes not only the Group's business approach, but also its interpretation of sustainability. 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.

Throughout its history, the Group has been at the forefront of research and has initiated several "silent revolutions" that have profoundly influenced the upholstery and furnishing sectors. The Group 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. The Group's stronghold on industrial processes, its quest for excellence and passion for details across all phases of the value chain as well as its care in managing the environmental impact of its operations, are all part of a quality-driven approach to sustainability.

Nevertheless, for B&B Italia Group sustainability also means building relations with all stakeholders based on trust, mutual respect, ethics and honesty. In fact, the Group aims at being a trusted employer and promotes a constant dialogue with the community both internally and externally.

Management started working to define a set of sustainability key performance indicators (KPIs), which represent the objectives the Group aims to reach in the upcoming years and which are cross-cutting with respect to its functions and operations.

To confirm its commitment to sustainability, in November 2016 B&B subscribed to the United Nations Global Compact initiative (UNGC). The UNGC represents a call to companies to voluntarily align 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 (SDGs). Participants to the UNGC are required to communicate annually on progresses made in implementing the ten principles in order to inform and update Company stakeholders (i.e., investors, consumers, civil society, governments, etc.). This 2018 Sustainability Report represents B&B Italia Group's third Communication on Progress.

# FOSTERING HERITAGE AND EXPLORING INNOVATION



**B&B ATOLL**  
 Designer: Antonio Citterio  
 2018

## Creating excellence

B&B Italia Group cooperation and strong relationships with leading Italian and international designers and architects has been one of its main successes since its foundation, creating a way to promote design heritage and exploring new avant-garde solutions.

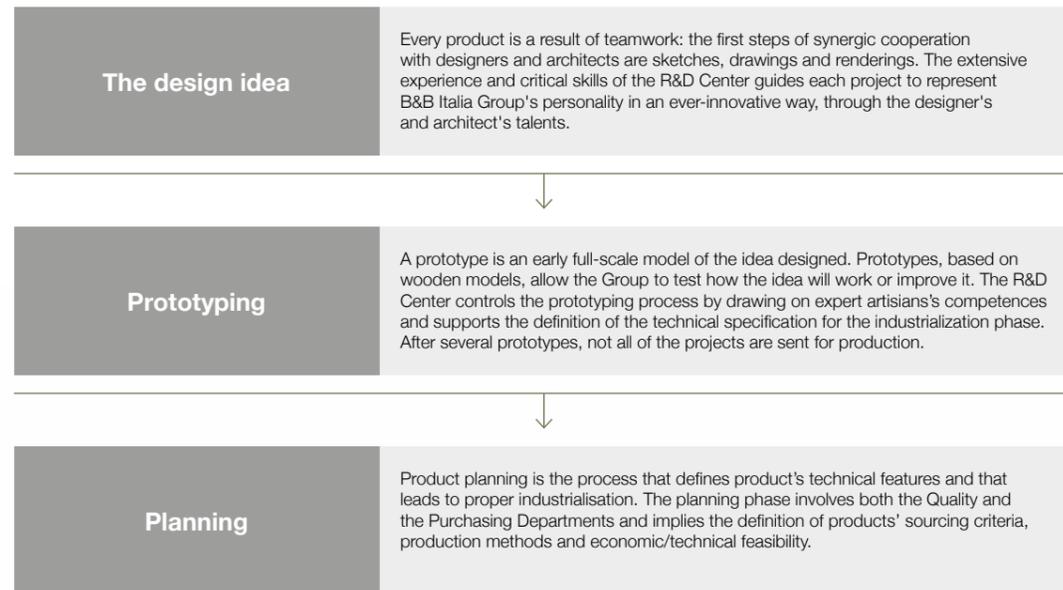
Over the years, the Group has collaborated with the most talented and innovative professionals of its time, including Afra and Tobia Scarpa, Marco Zanuso, Vico Magistretti, Mario Bellini, Gaetano Pesce, Antonio Citterio, Patricia Urquiola, Naoto Fukasawa, Zaha Hadid, Jeffrey Bernett, Paolo Piva, Michael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

Designers and architects involved in B&B Italia Group projects

	2016	2017	2018
B&B Italia	<b>Antonio Citterio</b> - Richard - Édouard - Eucalipto - Cozy	<b>Piero Lissoni</b> - SAKé - Formiche	<b>Antonio Citterio</b> - B&B Atoll
	<b>Doshi &amp; Levien</b> - Do-Marù - Marù - Tabour	<b>Naoto Fukasawa</b> - Harbor	<b>Piero Lissoni</b> - Eda-Mame
	<b>Jasper Morrison</b> - Bankside	<b>Antonio Citterio</b> - Alex - Jens	<b>Naoto Fukasawa</b> - Belle - Bull - Colosseo
Outdoor	<b>Antonio Citterio</b> - Gio - Erica - Ginestra - Ray outdoor natural - Ray outdoor fabric	<b>Mario Bellini</b> - Bolt	<b>Paolo Piva</b> - Alanda
	<b>Antonio Citterio (coordinator)</b> - Eracle	<b>Monica Armani</b> - Madison	<b>Michael Anastassiades</b> - Jack
MAXALTO		<b>Naoto Fukasawa</b> - Fiore	<b>Antonio Citterio</b> - Ribes - Erica '19 - Frank Outdoor
		<b>Doshi &amp; Levien</b> - Bay - Tabour Outdoor	<b>Jeffrey Bernett</b> - Cosmos Outdoor
ARCLINEA		<b>Barber &amp; Osgerby</b> - Tobishi Outdoor	<b>Patricia Urquiola</b> - Fat-Fat Outdoor
		<b>Antonio Citterio (coordinator)</b> - Caratos - Astrum	<b>Antonio Citterio (coordinator)</b> - Nidus - Otium - Caratos - Alcor
		<b>Antonio Citterio</b> - Principia	<b>Antonio Citterio</b> - Modus system - Era system

B&B Italia Group recognizes the extraordinary value of the expertise and creative inspiration of designers and architects and blends this with its own tradition of excellence in manufacturing. The Group 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 conceive innovative products and make them a reality. The Group seeks to create long-lasting partnerships and promotes constant dialogue between architects, designers and B&B Italia Group'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



**ALEX**  
 Designer: Antonio Citterio  
 2017

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 1984 1987 1989



**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.



**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.



**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.



**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, B&B Italia Group has continued to collect awards all over the world. In 2018, B&B Italia's table Alex won the American Great Design Award. The table, designed by Antonio Citterio, belongs to a collection of tables that features statement frames with a large lens-shaped section.

Moreover, the brand-new Atoll sofa modular system, which is also designed by Antonio Citterio for B&B Italia, was awarded the 2018-2019 German EDIDA (Elle Decoration International Design Awards) for the "Best seating of the year" category. The EDIDA recognizes the global excellence in the interior design world and is given to the best projects and designers in different categories.

In addition, B&B Italia's newly Eda-Mame day bed designed by Piero Lissoni, won the 2018-2019 China EDIDA in the category "Best furniture of the year". Eda-Mame is a single object that is a fusion of three types of seating – high-back chair, easy chair and pouf – whose shape is inspired by the form of a soy bean, a typical ingredient of the Oriental cuisine.

Finally, in 2018 B&B Italia Group won, with the chair Catilina, the prestigious German Design Award 2019 for the category "Design Classics and Re-editions". An authoritative acknowledgement for the classic chair designed by Luigi Caccia Dominioni for Azucena, that was recognized as one of the most iconic items in the history of Italian design both for its exceptional design and impressive quality.

## Recent prizes awarded by B&amp;B Italia Group

2016	
Award	Product / Company
Reddot Award - Communication Design	<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>
Compasso d'oro - Honorable mention	
German design award - Winner	
German design award - Special mention	
Cerved "Company to watch"	
2017	
Award	Product / Place
Wallpaper Design Awards	<b>SAKé and Ginestra</b> <b>Hive</b> <b>Madison Avenue store</b> <b>Katara Suite by Excelsior Hotel Gallia Milano</b> <b>Convivium (Arclinea)</b>
NYCxDesign Award - Winner	
International Design Store Award	
Oscar of European Tourism	
ELLE Russia Decoration Award - Best of the Year	
2018	
Award	Product / Company
American Great Design Award - Winner	<b>Alex</b> <b>B&amp;B Atoll</b>
German Elle Decoration International Design Awards - Best seating of the year	
China Elle Decoration International Design Awards - Best furniture of the year	<b>Eda-Mame</b> <b>Catilina (Azucena)</b>
German Design Award - Design Classics and Re-editions	

**"The Perfect Density" exhibition**

As a key part of the Company 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 a permanent feature at 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's 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, pulsate and create a wave 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.

**Developing innovation**

Innovation is an intrinsic characteristic of B&B Italia Group's industrial and technological vocation. The choice of setting up a dedicated Research and Development Centre at B&B Italia headquarters and the Arclinea's Design Team have been key factors in the Group's development strategy, as demonstrated by the yearly investment in research, which usually exceeds 1% of B&B Italia Group's annual turnover and in 2018 amounted to Euro 2.8 million.

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

Ongoing research has traditionally been a driver of B&B Italia Group, both at the product and at the industrial process levels. The partnerships with world-renowned designers and the contribution of the R&D department have allowed B&B Italia Group 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 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 reflect its characteristic atmospheres and emotions.



### Innovation in Arclinea

Arclinea can rely on an internal R&D function, responsible for suggesting new furniture elements or even new models, as well as to modify and improve the existing ones. The architect Antonio Citterio has been the reference designer for Arclinea since 1986, 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.

An example of such a process has been Arclinea's renovation of its entire collection by modifying the thickness of the kitchen panels, carried out in 2018. The change gives Arclinea's products increased strength and stability, as well as improved technical functionality and comfort. Moreover, as kitchens become increasingly technological and markets push for small cooking units, during 2018 Arclinea invented the concept of the "hidden" kitchen, that is set behind an opening architectural wall housing equipment and tools.



One of the main examples of this avant-garde approach, in place 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 '60s. 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 '80s (in collaboration with Bayer), the introduction of chaises longue peninsulas in the '90s, the use of weavings in polyethylene for outdoor furniture in the early 2000s and the introduction of lightweight aluminum fusions for frames after 2010.

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*

2018

**Eco-friendly padding** - Erica '19 and Ribes

### 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*

For B&B Italia Group, innovating means to push the market towards new solutions that are increasingly functional and aesthetically aligned with contemporary taste. The results of the Group's incessant work are demonstrated by the constant evolution of its product range: between 2017 and 2018, the Group launched over 27 new products and 5 extensions of existing product ranges. In addition to those new products, since the end of 2018 B&B Italia Group started to produce and commercialize several Luigi Caccia Dominioni iconic products with the Azucena brand, such as the Catilina chair, the ABCD armchairs, the Toro sofa and pouf, the Cavalletto table and the Poltrona and Imbuto lamps. New products developed and launched

	2016*	2017	2018
New products	8	12	15
Extension of products range	7	2	3

\*2016 values do not include Arclinea

The B&B Italia 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 conceives each single detail to satisfy 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. For instance, in 2018 the Contract Division participated in ambitious and renowned projects like the realization of the Blue Lagoon Retreat Hotel in Iceland, the interior designing of more than 200 apartments and offices of the One Crown Place in London, the furnishing and building of the Polaris Lounge at San Francisco International Airport and the engineering of the

**B&B Italia Group for Starbucks**

In 2018, B&B Italia participated in the realization of the new Starbucks Reserve™ Roastery in Milan, the first Starbucks in Italy and the biggest roastery in Europe. In particular, B&B Italia Contract Division realized the roastery roof, designing the geometric structure and implementing the audio and light systems. The Contract Division has also engineered and produced the bronze cask, which is part of the roaster, custom-built exclusively for the new Starbucks. The cask is an impressive 8-meter-high cylinder, that periodically unfolds and rotates, like a blooming flower, to give customers a rare glimpse of the de-gassing phase of the coffee bean roasting process, when the coffee bean is transformed to enhance all its qualities. The collaboration with Starbucks has represented an exceptional challenge for B&B Italia, where technological research and attention to details were carried out by the expert team of B&B Italia with extreme audacity and mastery. A project that reveals the potential of the company's Contract Division even in areas where it does not usually work.



**Polaris Lounge interior decoration**

In 2018 the United Airlines Polaris Lounge opened in the San Francisco International Airport (SFO). This is the largest first-class air lounge in the world. For this project B&B Italia Contract Division provided all the furniture needed for the 2000 square meters lounge that includes dining rooms and rest areas. In particular, the Contract Division furnished the space with products from the B&B Italia and Maxalto collections, along with a selection of custom products, like sofas, armchairs and small tables for the lounge and tables, chairs and counters for the dining area. In addition, B&B Italia participated in the engineering of the lounge, designing and building the partition wall systems complete with workstations with integrated lighting. In the next few months, further new Polaris Lounges are scheduled to be opened at the international airports of Newark, Houston and Los Angeles.



new Starbucks Reserve™ Roastery in Milan.

Sustainable development is also a component of B&B Italia innovation history, from the use of sustainable materials to the upgrade of 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 Group, innovation lies also in building unique design experiences, starting from a careful study of their clients and customers' needs and leveraging the accredited experience of their professionals. The central pillar of the Group's approach is making the purchase of its products and services as "something valuable in time" that remains etched in the memory. The Group 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 Group welcomes visitors 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 Group also benefits from the experience of its partners, capable of keeping up with the firm quest for excellence. The Group 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 2016, B&B Italia trained 499 people at its own headquarters, and the numbers have grown to 503 in 2017 and 528 in 2018. Aiming at further strengthening its training activities, during 2018, Arclinea has planned the construction of its new Training center, which will be completed in 2019.

## Promoting design culture

Given the profound conviction that every cultural expression can be a vehicle of the deepest essence of design, B&B Italia Group supports and promotes cultural initiatives and exhibitions in every artistic domain. Pursuing such a roadmap, over the years B&B Italia Group has confirmed and re-ignited its passion for art and design by sponsoring several exhibitions dedicated to world-famous designers and architects, such as Luigi Caccia Dominioni, Mario Bellini and Zaha Hadid.

The "Tribute to Luigi Caccia Dominioni" exhibition was held at the Umanitaria in Milan during the 2018 Salone del Mobile, after the licensing agreement for the production and distribution of Luigi Caccia Dominioni's most iconic products was signed by B&B Italia Group. The show was a tribute to the architect's cultural heritage, to his timeless work and his vast production of modern classics, such as the Catilina chair, the armchairs ABCD and the Cilindro pouf. In addition, the Group was a partner of the "Biennale architettura 2018" in Venice, and in particular of the exhibition called "Everyday Wonders", dedicated to Luigi Caccia Dominioni. The exhibition, curated by the architect Cino Zucchi, delved into the world of the architect and his very personal way of conceiving architecture, an extraordinary balance of urban scale, clever inventions and design skills.

Focused on Bellini's creative activity over 60 years, B&B Italia promoted an exhibition called "The Italian Beauty", hosted at the Triennale Museum in Milan in 2017 and curated by Dejan Sudjic, Director of the London Design Museum. In 2019, the exhibition will move to Moscow for its first stop of the world tour, organized by the Triennale Museum in collaboration with the Italian Institute of Culture in Moscow. 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 over 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. Between 2017 and 2018, 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 complex-



ity 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.

In October 2018 at La Triennale of Milan, B&B Italia participated to the first edition of the "Next Design Perspectives 2018" organized by Altgamma, an association that gathers Italian companies of high international standing and representing Italian culture and style. The event was dedicated to design and creativity world trends and the resulting impacts on consumption, lifestyles and sector's business models.

Furthermore, during 2018 B&B Italia Group participated in a series of design fairs and events worldwide, such as the *IMM Cologne fair*, *Salone del Mobile in Milan*, the *London Design Festival* and the *Salone del Mobile. Milano Shanghai*, which offered precious occasions to convey the Group image and uniqueness to potential new clients and collaborators.

For the 2018 Milano Design Week, B&B Italia Group took part in the exhibition-event called "68: exhibition of objects, images and films". At a distance of 50 years, the exhibition narrated the revolutionary period of '68 paying homage to the objects of industrial design, the documents and images of a historical moment of sweeping social changes. The exhibition brought together furnishings and objects still in production, from lights to seating, kitchens to complements, that are associated with that period, focusing on the creative flair of iconic designer and the farsighted vision of companies ready to enthusiastically absorb cultural changes in terms of forms, functions and materials.

## Arclinea's celebration of Italian food culture

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 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 18 collaborations, such as Gianluca Aresu and Giuseppe Falanga's Italian Chef Cooking School and Marion Muzi Falcon's "L'apprentie pâtissière" in Paris.

In the same vein of celebrating the "culture of food", during the Grand Opening event of the new Arclinea Flagship Store in Paris at the end of 2018, the Company invited two international renowned chefs, Fabio Pisani and Alessandro Negrini of the 2 Stars Michelin Restaurants Aimé e Nadia in Milan, that performed an exceptional Cooking Experience.



As a medium to transmit the Group's commitment to promote cultural events and its iconic design, in 2018, B&B Italia Group continued to reinforce its communication and marketing strategy through a series of projects aimed at strengthening its presence in the main digital channels for all its brands.

Consequently, B&B Italia Group built up a communication plan aimed at increasing the number of followers and interactions with actual and potential users on social networks. The Group focused its efforts on progressively reinforcing its profile content and attractiveness on Facebook, Twitter, Instagram, Pinterest and LinkedIn. Periodically the Group put in place monitoring activities in order to keep track of its progress on each social network. In general, B&B Italia Group has performed well on attractiveness grounds, as demonstrated by the increasing number of fans and followers years on years. Nonetheless in the upcoming years, the Group will continue to work to further improve social interactions, including via comments and mentions.

#### 2018 followers

 Facebook	 Twitter	 Instagram	 Pinterest	 LinkedIn
114,931	14,720	320,650	20,763	7,000

Furthermore, during 2018, B&B Italia continued the restyling of its website, aiming to make it more modern and user-friendly, the perfect window to expose the corporate philosophy and design excellence. In addition, in October 2018 the Group launched the new Azucena's website with the purpose of maintaining and promoting the recently acquired brand.

## Contributing to social progress

B&B Italia Group 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, B&B Italia has supported charities such as Primo Aiuto and has established the Matteo Riboldi study bursary for young hematologists, funding the Paolo Belli Leukemia Treatment Association. Moreover, in 2018 the Company funded three scholarships for deserving students of the Misinto municipality.

The protection of 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, 12,000 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 area. 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 pro-

jects to promote modern art. In 2018 the Company organized 10 special visits to the museum for employees and distinguished customers.

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 of cancer prevention and treatment.

#### An active member of industry associations

B&B Italia is member of several industry associations:



**Altgamma Foundation** gathers High-End Italian Cultural and Creative Companies, recognized as ambassadors of Italian style, operating in multiple sectors such as fashion, design, jewelry, food, hospitality, automotive, yachts and wellness. Altgamma'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 a 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 from qualified sources, fostering their growth and development.



On the other hand, Arclinea is a member of **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 5.5 million people.



Both B&B Italia and Arclinea have adhered to **FederlegnoArredo**, the ambassador of the Italian taste of living worldwide, that represents Italian companies in the wood and furniture sector and supports their business by developing new opportunities.

Moreover, B&B Italia Group is a member of the **Milano Durini Design association**, that was founded with the aim of developing the prestigious central area of Milan called "Distretto Durini".

Finally, as reported in § "What sustainability means for B&B Italia Group", in November 2016 B&B Italia Group subscribed the **United Nations Global Compact**, established with the primary purpose of contributing to the universal sustainability principles in the areas of human rights, labor, environment and anti-corruption, and to take actions to support UN goals (for further details see § "Methodological note").

# BALANCING PRODUCT'S QUALITY AND IMPACTS



## The commitment to ensure quality and safety

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

Since 1997, B&B Italia has put in place an ISO 9001 Quality Management System at the Novedrate, Misinto, Arosio and Carugo sites, certified by an independent third party. 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. Similarly, Arclinea's Caldogno factory has an ISO 9001 Quality Management System, first obtained in 2012. Both B&B Italia and Arclinea have updated their Management Systems to the new international technical standard UNI EN ISO 9001:2015 during the last few months. The context analysis carried out by the two companies did not identify any relevant quality risks connected to quality management.

The continuous and full implementation of the Quality Management Systems is the key instrument to meet all statutory and regulatory requirements and standards applicable at the Group's export destinations. B&B Italia's 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 with the support of leading Italian and international test laboratories. In addition, in Arclinea each product is subject to manual checks along and at the end of the production process. In case problems or defects are identified, 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 replicable best practices by learning from previous production mistakes. Arclinea's Quality Function organizes a series of periodic internal working groups aimed at brainstorming on how to continuously ameliorate the production stream.

The absence of non-compliance issues with regulations concerning the health and safety impacts of products is proof of B&B Italia Group's Quality Management System's effectiveness <sup>[416-2]</sup>.

On customer service, the Group believes 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 the Company and the customer to trace all the technical documentation and product standards for each item sold. Considering customer's growing interest and relative sensitivity relating to product safety and durability, beyond mere compliance, B&B Italia Group monitors these parameters through specific activities and tests, in accordance with numerous voluntary codes and regulations that can be applied, depending on national laws of intended markets and clients' specific needs. Products are therefore 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.

RAY OUTDOOR  
NATURAL  
*Designer: Antonio Citterio*  
2017

B&B Italia Group's product regulatory framework and standards

### Fire resistance

#### Italian Ministerial Decree of 26/06/84

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

#### California Technical Bulletin 117-2013 – USA

Sets flammability standards for upholstered furniture.

#### California Senate Bill SB1019 – USA

Regarding the presence and labeling of flame retardant chemicals used in upholstered furniture.

#### Furniture and Furnishings (Fire) (Safety) Regulations 1988 – UK

Sets levels of fire resistance for domestic upholstered furniture.

#### Product quality assurance (Module D)

B&B Italia's products are manufactured in compliance with the fire protection requirements of the Council Directive 2014/90/UE on Marine Equipment (MED) and regulation (EU) 2017/306.

### Electrical equipment

#### ANSI - UL 48 Portable electrical apparatus (Lamps) – USA and Canada

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

### Furniture standards

#### 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 - general safety requirements for outdoor seating and tables.

#### UNI EN 16121

Furniture – safety, strength and durability requirements for storage furniture.

#### UNI EN 1116

Kitchen furniture - Coordinating sizes for kitchen furniture and kitchen appliances.

#### UNI EN 14749

Furniture - Domestic and kitchen storage units and kitchen-worktops, safety requirements and test methods.

#### UNI EN 13986

Wood-based panels for use in construction - Characteristics, evaluation of conformity and marking.

#### ANSI-BIFMA X5.1 Chairs - USA

Provides the standards for the evaluation of safety, durability, and structural adequacy of general-purpose office chairs.

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 Group demonstrates its commitment to quality going beyond the 2-year warranty prescribed by law. An example of such a case, is B&B Italia's 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. Similarly, Arclinea apply a 5-year warranty with respect to production defects.

This approach has been rewarded by an increasingly lower amount of complaints and by no product reclaims in 2017 and 2018. As shown by the data reported in the table below, the ratio of overall complaints on invoiced orders, which measures the Group's actual quality performance in terms of adherence to customer requests, has recorded a slight increase in 2018, mainly due to an increase in the number of rejected complaints related to clients' errors in product installation and maintenance <sup>[102-43]</sup>.

	2016*	2017	2018
Rejected complaints	667	1,143	1,231
Actual complaints	1,116	1,790	1,716
<b>Overall complaints</b>	<b>1,783</b>	<b>2,933</b>	<b>2,947</b>
<b>Ratio of overall complaints on invoiced orders</b>	<b>4.6%</b>	<b>3.0%</b>	<b>3.6%</b>

\*2016 values do not include Arclinea

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, the Company adopts 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.

Once a product is deemed adequate for starting industrialized production, the Purchasing Department oversees 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.

The Group purchases 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 augmented from 2,570.5 tons in 2016 to 5,442.7 tons in 2018, an effect motivated by the addition of Arclinea to the total amounts since 2017 <sup>[301-1]</sup>.

Materials and packaging (ton)	2016*	2017	2018
Iron/steel <sup>2</sup>	758.0	929.7	909.0
Fabrics	268.6	273.9	267.6
Wood	231.9	1,797.3	2,081.0
Chemicals	203.7	306.7	292.2
Marble <sup>2</sup>	195.7	221.0	226.2
Ceramic	n.a.	0.4	0.4
Appliances	n.a.	50.8	52.5
Aluminum	150.0	254.6	246.5
Leather	32.8	33.5	32.7
Paints	80.7	560.8	546.1
Paper	649.1	682.8	664.0
Plastic	n.a.	13.1	15.6
Glue	n.a.	10.0	10.2
Glass	n.a.	15.3	22.7
Polystyren	n.a.	52.8	59.6
Polyethylen	n.a.	21.0	16.5
<b>Total</b>	<b>2,570.5</b>	<b>5,223.7</b>	<b>5,442.7</b>

\*2016 values do not include Arclinea

Raw materials are one of the major points of contact where quality and sustainability considerations converge. For B&B Italia Group, 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 to the environment, and always encouraging, when feasible, the use of natural, nontoxic and recyclable inputs.

Examples of this approach include the supply of wood mainly from trees at the end of their lifecycle, as well as the experimentation of innovative sustainable materials. 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 procured 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 could be provided by 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>2</sup> These data include also small amounts of wood.

- Chemicals, mainly in the form of glues, additives and polyurethane foams are used for product padding, whereas paints are water-based and used in large part for the treatment of woods and furniture. Both materials are purchased from large multinational producers, selected for their international credibility and quality.
- Polystyrene and polyethylene are materials of recent adoption. Arclinea started using them in early 2017, while, in 2018, B&B Italia introduced these materials in the cushions of two products of the 2019 outdoor collection: Ribes and Erica '19. 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.

<sup>3</sup> CIRCULAR ECONOMY AND EFFICIENT USE OF RESOURCES - indicators for circular economy measurement.

**FSC™ certification**

The Forest Stewardship Council (FSC) is an international not for profit NGO, offering a forest certification system recognized at an international level. The certification aims at ensuring 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 define principles of sustainable procurement and chain of custody.

Since 2013, Arclinea has in place a Management System that adheres to the principles and standards of the FSC. As a result, 100% of Arclinea's wood supply and products can be FSC Mix certified, thus attesting that wood is supplied from FSC-certified forests, recycled material, or controlled wood.

In June 2018, B&B Italia obtained the FSC Mix certification. At present, the Belle chair is the first B&B Italia product that can be FSC-Mix certified. B&B Italia's goal is to increment the application of the certification to its wooden products, by constantly integrating the list of parts subjected to the certification aiming to ensure the sustainability of wood supply.

**Assessing products' circularity**

As part of its commitment to improving products' recyclability, in October 2018, B&B Italia assessed the circularity properties of two products of the 2019 outdoor collection, Ribes and Erica '19, both designed by Antonio Citterio. The products' circularity was measured in accordance with the Italian guidelines<sup>3</sup> set by the Ministry of Environment in collaboration with the Minister of Economic Development.

Through a set of indicators, including the recyclability of the input materials and of the products, B&B Italia assessed that Ribes' circularity is equal to 77% whereas Erica '19 corresponds to 37%. These results can be ascribed to the composition of the cushions and to the disassembly properties. In fact, both seating systems have an innovative material called Ecogreen in their cushions, consisting of a polyethylene and polyester fiber blend which is 100% recyclable.

The circularity assessment carried out in 2018 can thus be considered a first attempt towards the inclusion of the circular economy principle within production and design processes as well as integral part of the Group's ongoing commitment to enhancing products' recyclability.



**RIBES**  
Designer: Antonio Citterio  
2019

## The importance of sourcing sustainably

B&B Italia Group relies on 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 Lombardia, Veneto, Marche and Emilia Romagna regions. The suppliers' proximity enables B&B Italia and Arclinea to collaborate closely with artisanal experts for complex high-quality work and to foster a continuous dialogue with them.

In terms of procurement amounts, in 2018, 79.8% of raw materials, packaging and semi-finished products were purchased from Italian suppliers, representing a 10% increase with respect to 2017 <sup>[204-1]</sup>.

Ethics, transparency and innovation are the core values that regulate these supplies 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 B&B Italia's purchasing conditions, suppliers also accept the Company's Code of Ethics, the Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 as well as health and safety regulations. In addition, B&B Italia 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, economic and quality performance.

Before starting a commercial relationship, each supplier is required to submit a data sheet comprising relevant information, including sustainability certifications and a list of its sub-contractors. In the 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, the supplier is included in the qualified vendors list <sup>[412-1]</sup>.

To help preserve quality at all levels, B&B Italia's Quality Department undertakes both announced and unannounced visits to supplier plants, in addition to quality checks at the reception, allowing the Company to get to know in depth partners' operating practices. In some specific cases Arclinea works to enhance suppliers' quality levels by signing dedicated co-investment agreements, related to the development of customized molds and prototypes. In these cases, the Company protects the uniqueness of its 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. For these outdoor finished products, whose production is mainly located in Bosnia, Indonesia, China and the Philippines, B&B Italia provides precise tender specifications to our suppliers. Suppliers must comply with these specifications and, every time an additional line of production is set up, our auditors take the opportunity to conduct specific controls on the lines previously opened.

Furthermore, B&B Italia implements additional controls concerning 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 to suppliers' plants, in addition to the digital quality controls already mentioned above.

## Operations environmental footprint

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 responsibility for stitching fabrics, mainly located in Italy and Hungary, test their quality again following the specific requirements of B&B Italia, who trains suppliers' quality personnel directly.

B&B Italia and Arclinea's attention to sustainability starts from the corporate facilities, 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 also produces 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 is situated on the site where the original wood laboratory, in which the Company started its activities in 1925, was 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; and Arosio (5,500 m<sup>2</sup>) houses raw materials, semi-finished products and finished products.

### Products in the making: from industrialization to delivery



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

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. 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. The production starts to create a stock in the storage warehouses, and when a specific order has been commissioned from a client.

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

All the plants are subject to reviews and progressive interventions aimed at improving their functioning and making them more modern and efficient. Arclinea, for instance, recently installed new packaging machinery, adapting the production chain to the usage of new materials like polystyrene and polyethylene. Contrary to the previous equipment, the new machinery does not operate continuously and is therefore less energy demanding. Furthermore, a new machine for making holes in kitchen wooden panels has been installed, which will help the Company save time and energy given its augmented performance. In the meanwhile, Arclinea has implemented an efficient warehouse management system, running on dedicated software. This will allow optimal control of procurement requests, allowing the optimization of working capital management.

The Company pursues this approach from an environmental perspective, seeking the correct management of the environmental impacts of its industrial sites, in compliance with all applicable laws and regulations. In line with this commitment, since 2013 Arclinea has implemented an Environmental Management System based on ISO 14001 and updated in April 2018 to the new international standard UNI EN ISO 14001:2015. The standard sets out the requirements to manage environmental aspects within the Company, starting from an Integrated Environment, Health and Safety Policy, published on the Arclinea website, which indicates the internal policies covering these issues and clarifies the respective roles and responsibilities for environmental management at a corporate level. No incident of non-compliance with environmental laws and regulations has been recorded between 2016 and 2018 <sup>[307-1]</sup>.

The environmental aspects currently monitored and managed by the Group represent the Companies' most relevant environmental impacts including the use of raw materials and components (as already highlighted in paragraph §The commitment to ensure quality and safety), energy consumption, and Greenhouse Gas (GHG) emissions. The Group also monitors its footprint in terms of waste generated, polluting emissions, water and packaging consumed. Further details are provided in the Appendix.



**BULL + BELLE**  
Designer: Naoto Fukasawa  
**2018**

The Company has 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 relation to each environmental aspect.

## Energy consumption

B&B Italia Group has started to monitor and rationalize its energy consumption through specific energy efficiency initiatives. In 2018, B&B Italia replaced about 80 conventional lamps with LED lighting of the sewing workstations at the Novedrate plant. Furthermore, in the same factory the Company changed the doors and windows, aiming to improve its thermal insulation and employees' well-being. With the same goals, the company started the installation of high-speed roll doors in the Misinto plant. In the Novedrate plant B&B Italia implemented an automation system aimed at controlling and managing the factory's cooling and heating system, and installed a continuous monitoring system of its energy consumption. As regards Arclinea's Caldogno plant, several power transformers have been recently substituted, leading to an improvement in the overall energy efficiency of the Company.

In terms of energy mix, B&B Italia Group's total energy consumption is directly attributable to different vectors: natural gas (representing 49.7% of overall consumption in 2018), wood offcuts (13.6%), electricity (28.9%) and fuels like fuel oil and diesel (7.8%). In particular, Arclinea relies mainly on fuel oil (given the actual unavailability of connections with the natural gas municipal grid) and wood offcuts for its heating needs. <sup>[302-1]</sup>

Energy consumption and energy index	Unit	2016*	2017**	2018**
Natural gas	GJ	38,507.6	38,176.9	39,282.6
Wood offcuts	GJ	2,670.5	8,985.6	10,787.1
Electricity	GJ	16,065.9	22,893.8	22,817.2
Gasoline	GJ	-	30.3	31.8
Fuel oil	GJ	-	3,957.7	3,566.9
Diesel (vehicles owned and leased)	GJ	2,339.7	2,626.6	2,599.7
<b>Total energy consumption</b>	<b>GJ</b>	<b>59,583.7</b>	<b>76,799.9</b>	<b>79,085.3</b>
<b>Energy intensity index (energy/revenues)</b>	<b>(GJ/€ *1000)</b>	<b>312.6</b>	<b>364.0</b>	<b>364.9</b>

\* Data include B&B Italia and the French affiliates

\*\* Data include B&B Italia, Arclinea, the French and Northern American affiliates

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 between 2017 and 2018, following a comparable increase of both revenues and energy consumption <sup>[302-3]</sup>. This latter, in particular, can be ascribed to yearly external temperature oscillations, thus requiring an overall increase of energy consumption for heating purposes.

## GHG emissions

In accordance with the GHG Protocol Corporate Accounting and Reporting Standard, B&B Italia Group identified and monitored all relevant direct GHG emissions (scope 1) and those indirect emissions resulting from energy purchased (scope 2). As required by the GHG Protocol, emissions from biomass combustion (wood offcuts for heating in Misinto and Caldogno) are separately reported. The Group estimated its indirect emissions occurring outside of its Companies (scope 3), in particular those resulting from business travel, as shown in the table below. <sup>[305-1; 305-2; 305-3]</sup>

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 production while the second one reflects emissions from the electricity source that the Group has purposefully chosen through, for instance, contractual arrangements.

In line with energy consumption trends, scope 1 and 2 emissions, considering the location-based method, slightly decreased by 1.7% from 2017 to 2018, i.e. from 5,090.4 tCO<sub>2</sub>eq to 5,001.9 tCO<sub>2</sub>eq. In particular, regarding scope 2 emissions calculated using the *location based* method, the decrease from 2017 to 2018 was mainly due to lower national emission factors related to 2018; while, regarding scope 2 emissions calculated using the *market based* method, the increase from 2017 to 2018 was mainly due to higher residual mix factors related to 2018.

Overall 2018 emissions increased by 2% compared to 2017, that is from 5,329.4 tCO<sub>2</sub>eq to 5,433.4 tCO<sub>2</sub>eq. This trend is related to the substantial increase of business travel of about 81% compared to 2017.

GHG EMISSIONS	Unit	2016*	2017**	2018**
<b>Direct Emissions (Scope 1)</b>	<b>tCO<sub>2</sub>eq</b>	<b>2,375.8</b>	<b>2,687.1</b>	<b>2,703.7</b>
<i>Emission resulting from natural gas heating and diesel emergency generators</i>	tCO <sub>2</sub>	2,149.7	2,136.3	2,199.7
<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	8.4	27.6	39.3
<i>Emissions resulting from diesel used for the corporate car fleet</i>	tCO <sub>2</sub>	172.2	192.9	191.3
<i>Emissions resulting from fuel oil used for heating purposes in Caldogno</i>	tCO <sub>2</sub> eq	-	303.3	273.4
<i>Emissions of refrigerant gases resulting from leakages of air-conditioning systems</i>	tCO <sub>2</sub> eq	45.5	26.9	0
<b>Indirect Emissions (Scope 2) – Location based method</b>	<b>tCO<sub>2</sub></b>	<b>1,602.1</b>	<b>2,403.3</b>	<b>2,298.2</b>
<b>Indirect Emissions (Scope 2) – Market based method</b>	<b>tCO<sub>2</sub></b>	<b>1,941.3</b>	<b>2,965.6</b>	<b>3,013.8</b>
<i>Emissions resulting from electricity purchased from national grid – Location based</i>	tCO <sub>2</sub>	1,602.1	2,403.3	2,298.2
<i>Emissions resulting from electricity purchased from national grid – Market based</i>	tCO <sub>2</sub>	1,941.3	2,965.6	3,013.8
<b>Other indirect Emissions (Scope 3)</b>	<b>tCO<sub>2</sub>eq</b>	<b>279.7</b>	<b>239.0</b>	<b>431.5</b>
<i>Emissions resulting from business travels (air)</i>	tCO <sub>2</sub> eq	279.7	239.0	431.5
<b>Total (Scope 1 + 2 + 3) – Location based method</b>	<b>tCO<sub>2</sub>eq</b>	<b>4,233.7</b>	<b>5,329.4</b>	<b>5,433.4</b>
<i>Outside of scopes: emissions resulting from biomass combustion – wood offcuts for heating in Misinto and Caldogno</i>	tCO <sub>2</sub>	227.9	768.5	922.6

\* Data include B&B Italia and the French affiliates

\*\* Data include B&B Italia, Arlinea, the French and Northern American affiliates



UP 50

Designer: Gaetano Pesce  
2019

# VALUING PEOPLE AND RELATIONSHIPS



**TOBI-ISHI OUTDOOR**  
Designer: Edward Barber and Jay Osgerby  
2017

## B&B Italia Group's people

Attention to creating a positive and trusting working environment and building strong relations with the local community are key elements of B&B Italia Group's history. The capacity to build and maintain these ties over time relate to the Group's commitment to integrity and dialogue with its employees and to its contribution to the social and economic wealth of the area where the Group's companies are located. This is true both for the Monza and Brianza district, where B&B Italia is based, and for the Vicenza province, where the Arlinea plant is located, since most of the employees live no farther than 30 kilometers from the plants.

Local employees by provenance <sup>4</sup>	2016*	2017	2018
Within 15 kilometres	64%	76%	70%
From 15 to 30 kilometres	28%	18%	22%
More than 30 kilometres	8%	6%	8%

\*2016 values do not include Arlinea

At the end of 2018, B&B Italia Group's employees amounted to 626, which corresponds to more than 99% of the total workforce, recording an overall increase with respect to 2017. The majority of the Group's employees work in the Italian plants, namely 91% of the employed personnel in 2018. <sup>[102-7; 102-8]</sup>

The contractual forms in place reflect B&B Italia Group's commitment to building stable and positive relations with its employees. Indeed, in 2018 97% of employees had a permanent contract, a 6% increase with respect to 2017. In addition, the percentage of full-time contracts remained almost stable with respect to the previous reporting year, which overall represents around 97% of the employment contracts signed by the Group.

Total workforce by employment relation and region	Unit	2016*	2017	2018
Employees	n.	510	618	626
of which in Italy	n.	468	574	571
of which in foreign countries	n.	42	44	55
Interns <sup>5</sup>	n.	0	1	1
<b>Total workers</b>	<b>n.</b>	<b>510</b>	<b>619</b>	<b>627</b>

\*2016 values do not include Arlinea

Employees by type of contract	Unit	2016*	2017	2018
Permanent Contracts - total	n.	470	573	610
Women	n.	176	206	212
Men	n.	294	367	398
Temporary Contracts - total	n.	40	45	16
Women	n.	7	7	7
Men	n.	33	38	9
Full-time Contracts	n.	504	600	607
Part-time Contracts	n.	6	18	19

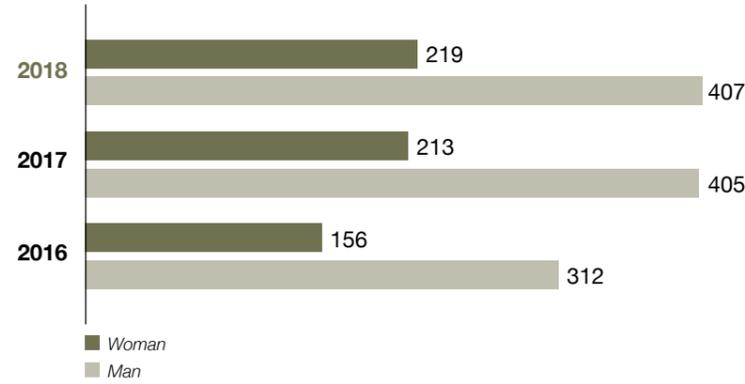
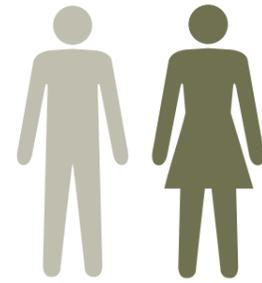
\*2016 values do not include Arlinea

<sup>4</sup> 2017 and 2018 data have been calculated as a weighted average of B&B Italia and Arlinea distance data, with respect to the total number of employees.

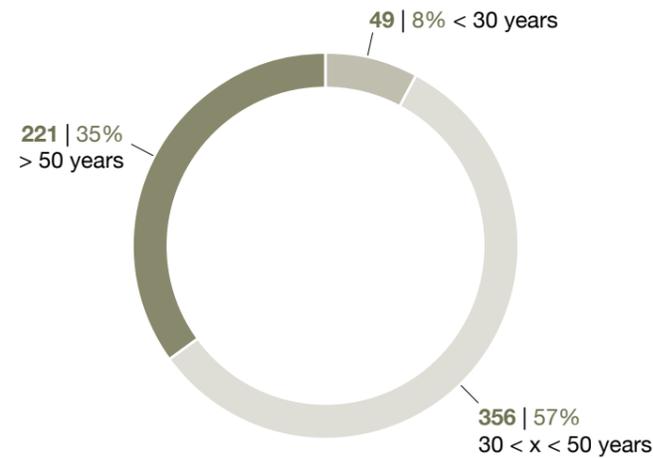
<sup>5</sup> Foreign countries had no interns in the three-years period.

In the last three years, B&B Italia Group presented a relatively stable workforce in terms of gender diversity, with a majority of male workers mainly related to a preponderance of men in manufacturing activities (representing around 65% of total workers in 2018, while women account for the remaining 35%). Over the same period, the number of employees over 50 years old increased to 35% of the total workforce in 2018, signaling B&B Italia Group's willingness to retain its best employees.

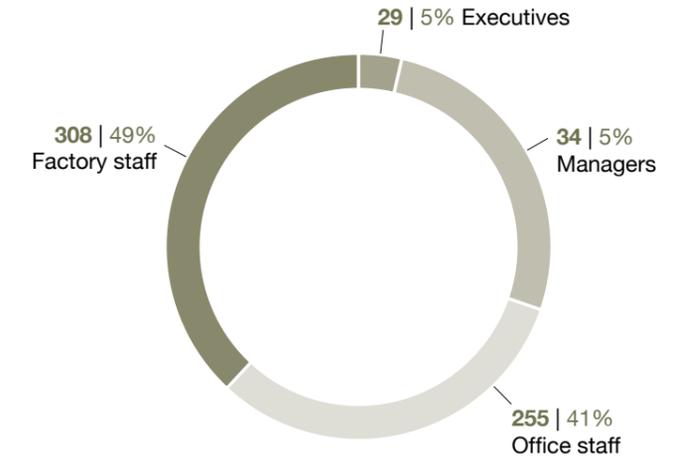
Employees by gender (2016 values do not include Arclinea)



Employees by age range, expressed in total amounts and percentages (2018)



Employees by employment category, expressed in total amounts and percentages (2018)



Employee diversity by employment category, gender and age range		Unit	2016*	2017	2018
<b>Executives - Total</b>		<b>n.</b>	<b>23</b>	<b>27</b>	<b>29</b>
Women	< 30 years	n.	0	0	0
	30 < x < 50 years	n.	3	3	4
	> 50 years	n.	4	5	5
	<b>Total</b>	<b>n.</b>	<b>7</b>	<b>8</b>	<b>9</b>
Men	< 30 years	n.	0	0	0
	30 < x < 50 years	n.	5	6	6
	> 50 years	n.	11	13	14
	<b>Total</b>	<b>n.</b>	<b>16</b>	<b>19</b>	<b>20</b>
<b>Managers - Total</b>		<b>n.</b>	<b>14</b>	<b>30</b>	<b>34</b>
Women	< 30 years	n.	0	0	0
	30 < x < 50 years	n.	2	5	8
	> 50 years	n.	1	4	4
	<b>Total</b>	<b>n.</b>	<b>3</b>	<b>9</b>	<b>12</b>
Men	< 30 years	n.	0	0	0
	30 < x < 50 years	n.	7	14	13
	> 50 years	n.	4	7	9
	<b>Total</b>	<b>n.</b>	<b>11</b>	<b>21</b>	<b>22</b>
<b>Office staff - Total</b>		<b>n.</b>	<b>185</b>	<b>255</b>	<b>255</b>
Women	< 30 years	n.	11	18	15
	30 < x < 50 years	n.	81	108	109
	> 50 years	n.	20	25	29
	<b>Total</b>	<b>n.</b>	<b>112</b>	<b>151</b>	<b>153</b>
Men	< 30 years	n.	4	6	7
	30 < x < 50 years	n.	53	69	61
	> 50 years	n.	16	29	34
	<b>Total</b>	<b>n.</b>	<b>73</b>	<b>104</b>	<b>102</b>
<b>Factory staff - Total</b>		<b>n.</b>	<b>246</b>	<b>306</b>	<b>308</b>
Women	< 30 years	n.	1	0	1
	30 < x < 50 years	n.	18	24	21
	> 50 years	n.	15	21	23
	<b>Total</b>	<b>n.</b>	<b>34</b>	<b>45</b>	<b>45</b>
Men	< 30 years	n.	22	25	26
	30 < x < 50 years	n.	127	150	134
	> 50 years	n.	63	86	103
	<b>Total</b>	<b>n.</b>	<b>212</b>	<b>261</b>	<b>263</b>

\*2016 values do not include Arclinea

Furthermore, between 2016 and 2018 B&B Italia Group's integrity and attention to its employees resulted in relatively low turnover rates, calculated as the number of outgoing personnel out of the total employees, which has slightly increased during the years reaching 10% in 2018. 70% of the total number of terminations in 2018 were voluntary resignations. The hiring rate – measured as the ratio between the number of new hires and total employees – has remained stable in the 2016-2018 period <sup>[401-1]</sup>.

In particular, with the aim of attracting new talents and to facilitate young people's access into the Companies, B&B Italia Group started several initiatives in collaboration with local and national schools and institutions. For instance, Arclinea has 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, since 2017 three students have been hired following the completion of the program. Similarly, since 2003, B&B Italia has collaborated with the Jean Monnet Technical & Commercial Institute at Mariano Comense, promoting an internship program to accompany final-year students in their first work experience. In addition, within the context of the Italian educational system, B&B Italia hosted four students from high school institutes in order to help promote the integration of young people in the labor market.

Employee turnover		Unit	2016*	2017	2018
<b>Terminations Total</b>		<b>n.</b>	<b>32</b>	<b>41</b>	<b>62</b>
Women	< 30 years	n.	0	7	4
	30 < x < 50 years	n.	10	8	13
	> 50 years	n.	2	0	4
	<b>Total</b>	<b>n.</b>	<b>12</b>	<b>15</b>	<b>21</b>
Men	< 30 years	n.	1	6	12
	30 < x < 50 years	n.	12	9	16
	> 50 years	n.	7	11	13
	<b>Total</b>	<b>n.</b>	<b>20</b>	<b>26</b>	<b>41</b>
<b>Turnover rate</b>		<b>%</b>	<b>6%</b>	<b>7%</b>	<b>10%</b>
Employee hirings		Unit	2016*	2017	2018
<b>New hire Total</b>		<b>n.</b>	<b>50</b>	<b>59</b>	<b>70</b>
Women	< 30 years	n.	4	6	9
	30 < x < 50 years	n.	6	11	17
	> 50 years	n.	0	0	1
	<b>Total</b>	<b>n.</b>	<b>10</b>	<b>17</b>	<b>27</b>
Men	< 30 years	n.	15	12	22
	30 < x < 50 years	n.	22	26	16
	> 50 years	n.	3	4	5
	<b>Total</b>	<b>n.</b>	<b>40</b>	<b>42</b>	<b>43</b>
<b>New hire rate</b>		<b>%</b>	<b>11%</b>	<b>10%</b>	<b>11%</b>

\*2016 values do not include Arclinea

B&B Italia Group works to ensure diversity and equal opportunities and rejects any discriminatory practices. The Group has an inclusive approach to legally protected status and is committed to promote gender parity. With regard to salary discrepancies between men and women, 2018 showed a substantially stable outlook, with pay gaps ranging from a 84% discrepancy for office staff to an almost equal salary for factory staff. The situation is similar when considering employees' overall remuneration, i.e. their basic salary plus benefits and allowances. In 2018 managers' salary and remuneration ratios increased mainly due to a change in the management organization, characterized by a relatively small number of employees in this category <sup>[405-2]</sup>.

Ratio between female and male basic salary	Unit	2016*	2017	2018
Executives	%	84	93	90
Managers	%	95	89	104
Office staff	%	88	80	84
Factory staff	%	99	97	97
Ratio between female and male overall remuneration	Unit	2016*	2017	2018
Executives	%	100	74	95
Managers	%	91	86	104
Office staff	%	91	80	81
Factory staff	%	110	102	93

\*2016 values do not include Arclinea



**BASE GHISA**  
Designer: Luigi Caccia Dominioni  
**1953**

## Training and welfare activities

B&B Italia Group considers enhancing its employees' skills as important to continually be up to date and provide clients durable and innovative solutions. Each year the Group conducts a series of training activities, from purely technical (i.e. technical applications and design software, regulatory updates on national and international commerce practices, etc.) to soft skills courses such as foreign languages or public speaking techniques. For instance, in order to facilitate the first period in the Company, Arclinea organized a specific training program of approximately 80 hours for all its new employees.

The total amount of training hours has grown by 186%, from 1,461 hours in 2017 to 4,172 in 2018. This is an equivalent increase in training hours per capita from 2.4 hours in 2015 to 6.7 in 2018 <sup>[404-1]</sup>. With regards to B&B Italia, the majority of training courses were mainly related to quality and, in particular, to the introduction of the FSC certification (see §The commitment to ensure quality and safety for further details). Furthermore, the Company provided technical courses, such as on designing and projecting software, as well as soft skills training sessions. In 2018 Arclinea's training courses were mainly connected to health and safety topics.

Training per employee <sup>6</sup>	Unit	2016*	2017	2018
Total hours	h	1,804	1,461	4,172
Women	h	658	438	1,250
Men	h	1,146	1,023	2,923
Average hours	h/employee	3.9	2.4	6.7
Women	h/employee	4.2	2.1	5.8
Men	h/employee	3.7	2.5	7.2
Training by category	Unit	2016	2017	2018
Training provided to Executives	h/employee	1.0	4.4	2.9
Training provided to Managers	h/employee	3.3	1.2	17.4
Training provided to Office staff	h/employee	4.4	1.7	9.9
Training provided to Factory staff	h/employee	3.7	2.2	1.8

\*2016 values do not include Arclinea

Concerning welfare initiatives, since November 2017 B&B Italia has offered 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): CAM can now offer medical diagnosis and treatments at favorable prices to B&B Italia staff. B&B Italia has also extended, with respect to the Italian collective agreements, the range of circumstances in which employees may draw from their workers severance pay.

<sup>6</sup> The subdivision by employee category is not available for Arclinea, given the unavailability of corresponding data.

## Health and wellbeing

The protection of employees' health and safety is at the center of B&B Italia Group's corporate culture. As such, the Group focused, in the past few years, on increasing employees' awareness of the potential health and safety risks connected to their working activities. As a result, between 2017 and 2018 the number of injuries has decreased, from 8 to 6, and the injury rate decreased from 7.7 to 5.7. In the same time period, there was a consistent decrease in the overall lost day rate (which reduced from 0.22 to 0.07), while the absentee rate remained almost stable <sup>[403-2]</sup>.

Health and safety indexes	Unit	2016*	2017	2018
Number of injuries <sup>7</sup>	n.	8	8	6
Injury rate (number of injuries/hours worked x 1,000,000)	n./hours	10.1	7.7	5.7
Lost day rate (number of lost days for injuries/hours worked x 1,000)	days/hours	0.19	0.22	0.07
Absentee rate (number of lost days for illness/ workable days)	%	4.03	3.49	3.50
Occupational diseases	n.	-	-	-

\*2016 values do not include Arclinea

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.

Since 2010 Arclinea has obtained the OHSAS 18001:2007 certification, an internationally applied British Standard for occupational health and safety management systems. During 2018, the Company worked on the transition to the new standard UNI ISO 45001:2018. The health and safety management system has enabled the Company to monitor and map all its 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, and to the replacement of a series of tasks involving repetitive movements, potentially damaging for workers.

<sup>7</sup> No injury occurred to workers other than B&B Italia employees.

# METHODOLOGICAL NOTE



TABOUR OUTDOOR

Designer: Nipa Doshi and Jonathan Levien

2018

## Reporting principles and criteria

This report has been prepared in accordance with the GRI Standards: Core option. In line with the GRI Standards, the contents of this report respect the results of B&B Italia Group's materiality analysis.

As a signatory to the United Nations Global Compact (UNGC) Initiative from 2016, this report represents B&B Italia Group's third Communication on Progress – a public disclosure providing valuable information to stakeholders regarding the implementation of the 10 principles of the UNGC. For ease of reference, the UNGC principles are clearly mapped alongside the GRI indicators in the GRI Content Index on page 60.

With regard to Human Rights, B&B Italia Group's 2018 Sustainability Report does not directly address the UNGC issues and principles, since the major part of the Group's direct activities and suppliers are located where laws ensure the regulation of human rights. Nevertheless, B&B Italia Group 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 the Group's activities, such as the protection of worker's occupational health and safety is an issue on which the Group is continuously committed to report on.

Committing to the UNGC requires B&B Italia Group to foster sustainable development by supporting the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda – adopted by world leaders in September 2015. The SDGs aim to end poverty and other deprivations, develop strategies that improve health and education, reduce inequality and spur economic growth, all while tackling climate change and working to preserve oceans and forests. B&B Italia Group, through its activities and initiatives, contributes to meeting seven out of 17 SDGs, as highlighted in the figure below.



## Scope of reporting

This Sustainability Report provides information on initiatives, activities and related key performance indicators and refers to the period from January 1<sup>st</sup>, to December 31<sup>st</sup> 2018. In some cases, where available and as applicable, data were presented for the three years 2016, 2017 and 2018. Information refers to B&B Italia S.p.A., Arclinea S.p.A., B&B Italia contract Projects S.r.l. and, when applicable, comprises data related to commercial branches and foreign affiliate companies: B&B Italia USA inc., B&B Italia London Ltd., B&B Italia München GmbH, B&B Italia Paris SARL, B&B Asia Pacific Ltd and B&B Furniture (Shanghai) Co., Ltd. Exceptions to this scope are explicitly reported in the text [102-45; 102-50; 102-51; 102-52].

**Stakeholders and materiality**

This Sustainability Report represents for B&B Italia Group's commitment to monitor and optimize its sustainability performance and strengthen its activities in the social and environmental domains. With this document, the Group aims not only to comply with social expectations and to re-inforce the communication to stakeholders on the results achieved, but also to improve internal awareness on sustainable development.

In order to better structure its sustainability commitment and actions, B&B Italia Group periodically performs an analysis to map and identify its key stakeholders, depending on both their dependence and their influence on the Group.

The table below presents an overview of the results of the stakeholder prioritization process. For each key stakeholder category, a description of existing engagement activities is provided. From this starting point, B&B Italia Group aims to improve its stakeholder engagement approach, and will evaluate the establishment of additional tools in the future [102-40, 102-42, 102-43, 102-44].

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

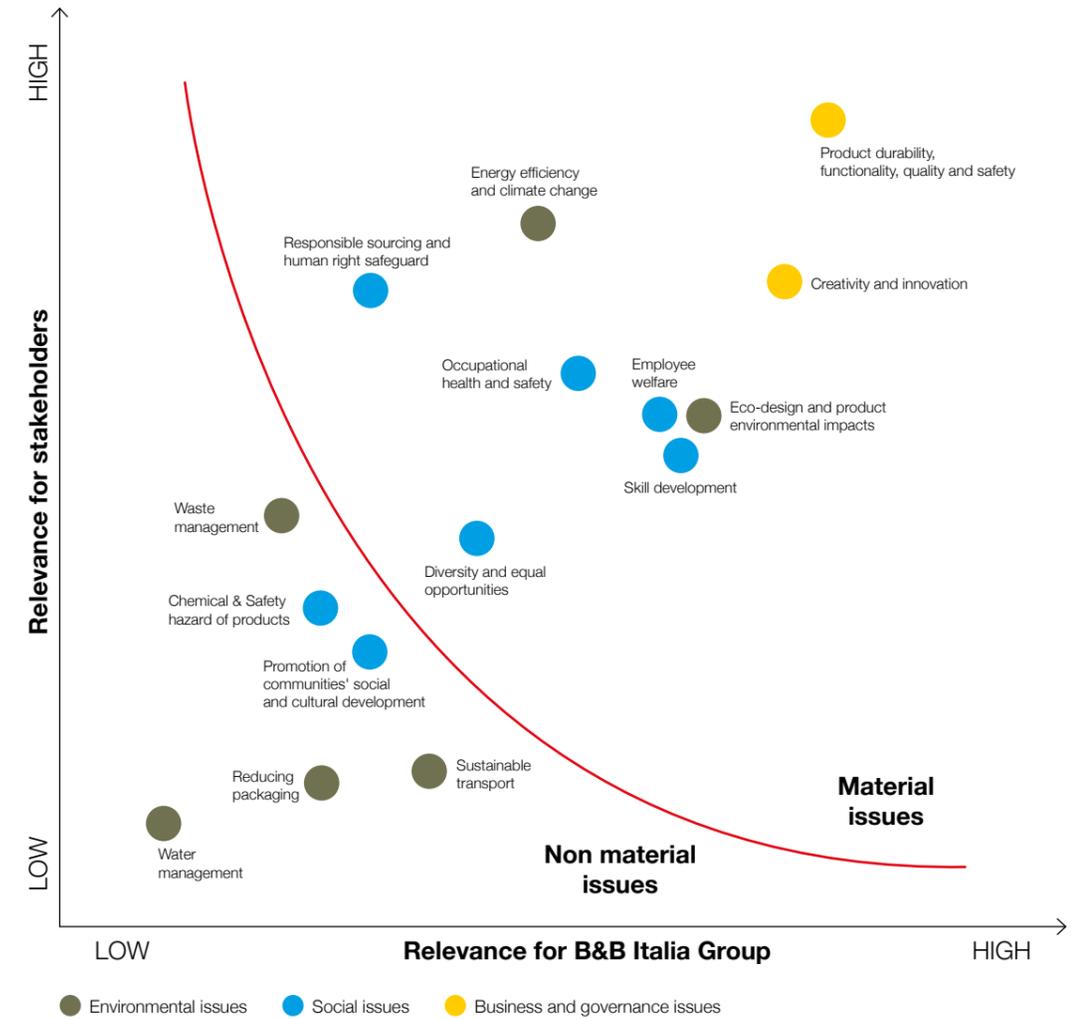
In accordance with the GRI Standards, B&B Italia Group has performed a materiality analysis to review and update the significant topics which reflect the Group's economic, environmental and social impacts and the issues that influence the decisions of its key stakeholders. B&B Italia Group conducted a thorough analysis consisting of two main activities: a benchmarking analysis of the sustainability reporting documents and approach of some of the Group's competitors and peers; and a sector-specific media analysis, which allowed B&B Italia Group to discover the topics identified as relevant both by the Group's peers and at the industry level [102-46].

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

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

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

By plotting the results of the evaluation onto a 2-axis matrix, material issues have been prioritize, as presented below [102-47].



The most relevant sustainability issues for both B&B Italia Group and its stakeholders are all related to "product responsibility" and include "Product durability, functionality, quality and safety", and "Creativity and innovation". A set of issues related to human resource management both within the Company and along the supply chain are considered to be 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 the Group's 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".

The 2018 materiality analysis has generated a number of amendments to the matrix published in the 2017 Sustainability Report, namely:

- The “Energy efficiency and climate change” issue has been attributed with higher relevance for stakeholders, given the growing concern of the topic at an international level.
- For the same reason, “Eco-design and product environmental impacts” has become increasingly relevant during the years for both B&B Italia Group and its stakeholders.
- “Waste management” and “Reducing packaging” are considered less relevant than “Sustainable transport” for B&B Italia Group, mainly considering the potential impact that the Group can have on this aspect, albeit these issues are considered to have relatively low significance overall.

The following table outlines the connections between B&B Italia Group’s material issues and relevant SDGs and the corresponding GRI Standards (Topic-specific Disclosures). In addition, the table provides the aspect boundary, related to where the impact is realized (within or outside of the organization) and who by. The table also includes any potential reporting limitations due to the current unavailability of data and information.

B&B ITALIA'S MATERIAL ASPECTS AND LINK TO SDGs	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 	Economic Performance	B&B Italia Group	Designers, architects and interior decorators	-	Designers, architects and interior decorators	
	Eco-design and product environmental impacts	Environmental Compliance	B&B Italia Group	Clients Suppliers	-	Clients Suppliers
		Socioeconomic Compliance	B&B Italia Group	Clients Suppliers	-	Clients Suppliers
Diversity and equal opportunities 	Diversity and Equal Opportunities	B&B Italia Group	-	-	-	
Employee welfare 	Employment	B&B Italia Group	-	-	-	
	Occupational Health and Safety	B&B Italia Group	-	-	-	
Energy efficiency and climate change 	Emissions	B&B Italia Group	Suppliers	-	Suppliers	
	Energy	B&B Italia Group	Suppliers	-	Suppliers	
Responsible sourcing and human rights safeguard 	Human rights assessment	-	Suppliers	-	Suppliers	
	Procurement Practices	B&B Italia Group	Suppliers	-	Suppliers	
	Materials	B&B Italia Group	Suppliers	-	Suppliers	
Occupational Health and Safety 	Occupational Health and Safety	B&B Italia Group	Suppliers	-	Suppliers	
Product durability, functionality, quality and safety	Customer health and safety	B&B Italia Group	Clients Customers Dealers	-	Clients Customers Dealers	
Skill development 	Training and Education	B&B Italia Group	-	-	-	



**Quality reporting principles**

The drafting of B&B Italia Group'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 Group [102-54].

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

B&B Italia Group's Sustainability Report is not subject to external assurance [102-56].

**Calculation methodologies**

Methodologies and assumptions used to calculate performance indicators included in the Report are reported below.

All data related to injuries refer to B&B Italia Group employees, thus excluding contractors. Commuting injuries and first-aid cases 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 while injury rate and lost day rate are calculated, taking into account only work-related accidents.

The following table shows the conversion factors used:

Fuel density	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2016, 2017, 2018
LCV (Lower Calorific Value)	Italian Ministry for Environment, Tabella parametri standard nazionali, 2016, 2017, 2018

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, the following emission factors are applied and the related assumptions are reported:

GHG EMISSIONS SCOPE 1			
Source	Activity data	Emission factor	GWP
Natural gas for heating			
Gasoline for heating			
Fuel oil for production processes	Fuel consumption	Italian Ministry for Environment, Tabella parametri standard nazionali, 2016, 2017, 2018	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

Since B&B Italia Group 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, 2015, 2016, 2017	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	Europe - AIB, European Residual Mixes, 2015, 2016, 2017 USA - Green-e Energy Residual Mix Emissions Rates, 2017, 2018	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 Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2016, 2017, 2018	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, out of scope 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 offcuts for heating in Misinto	Fuel consumption	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2016, 2017, 2018	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 processes (for more information, see the Appendix), with the exception of those deriving from biomass and where the natural gas boiler is used to provide heating. The calculation is based on detection of pollutant concentrations, multiplied by estimated annual flows.

Some data have been restated with respect to those included in the 2017 Sustainability Report. In particular, some values related to energy consumption and GHG emissions have been revised following the updating of B&B Italia USA Inc. data and the annual update of emissions factors.

# APPENDIX ENVIRONMENTAL DATA AND GRI CONTENT INDEX



In addition to the information required by the GRI Standards with respect to each indicator linked to B&B Italia material topics, the Group closely monitors other environmental aspects connected to its industrial processes, from a regulatory compliance perspective.

## Waste

The percentage of B&B Italia Group's recycled waste has slightly increased from 68% in 2016 to 72% in 2018, mainly due to a reduction of landfilled waste. The total production of waste increased by 12% from 2016 to 2018, considering that since 2017 the data also comprise Arclinea's waste.

Waste by disposal method*	Unit	2016**	2017	2018
<b>Non-hazardous waste</b>	<b>t</b>	<b>763.7</b>	<b>792.1</b>	<b>872.1</b>
Recycled or reused	t	500.6	575.1	629.3
Incinerated	t	180.2	20.4	197.8
Landfilled	t	82.9	196.7	44.9
<b>Hazardous waste</b>	<b>t</b>	<b>68.8</b>	<b>57.6</b>	<b>56.5</b>
Recycled or reused	t	68.8	53.1	34.7
Incinerated	t	-	2.7	12.7
Landfilled	t	-	1.8	9.1
<b>Total</b>	<b>t</b>	<b>832.5</b>	<b>849.7</b>	<b>928.6</b>

\* Waste volumes and subdivision by disposal method. Totals do not take into account the foreign affiliates, since being classified as municipal wastes are not subject to direct monitoring

\*\* 2016 values do not include Arclinea

## Air emissions

Every year, B&B Italia carries out an analysis of its air emissions, as requested by environmental authorizations in accordance with Legislative Decree n. 152/06. In the three year period between 2016 and 2018, 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 and Misinto sites mainly relate to the polyurethane foaming phase.

Air emissions from the industrial process*	Unit	2016	2017	2018
Particulate matter	t	0.4	1.8	1.0
T.O.C.	t	10.1	10.5	6.9
Ammonia	t	0	0	0.3
Aliphatic amines (triethylamine)	t	0	0	0
Isocyanate	t	0	0	0

\* Data reported refer to B&B Italia only

## Water

Annual water consumption is reported in the following table. Total water consumption decreased by 11% between 2017 and 2018. The decrease in water consumption is mainly due to Arclinea, which in 2018 used less ground water for the cooling process of its painting department. In fact, Arclinea's consumption has almost halved over the same period (-47%), whereas B&B Italia consumption increase by 15%. In 2016, B&B Italia experienced an anomalous malfunctioning in its air conditioning system, which led to higher than usual water consumption levels of about 41%.

Water withdrawal*	Unit	2016	2017	2018
Third-party water (Municipality)	m <sup>3</sup>	44,848	31,879	36,759
Ground water	m <sup>3</sup>	11,208	23,245	12,238
<b>Total</b>	<b>m<sup>3</sup></b>	<b>56,056</b>	<b>55,124</b>	<b>48,997</b>

\* Totals do not take into account the foreign affiliates, since being classified as municipal water consumption are not subject to direct monitoring

**ITALIA**

Designer: Antonio Clitterio

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## 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	12
	102-6 Markets served	8
	102-7 Scale of the organization	43
	102-8 Information on employees and other workers	UN GC 43
	102-9 Supply chain	36
	102-10 Significant changes to the organization and its supply chain	51
	102-11 Precautionary Principle or approach	As of today, B&B Italia Group's does not formally adhere or adapt its decision-making approach in accordance to the precautionary principle.
	102-12 External initiatives	15; 51
	102-13 Membership of associations	29
<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	52
	102-41 Collective bargaining agreements	UN GC All B&B Italia Group's employees in Italy are covered by collective bargaining agreements, as prescribed by national laws.
	102-42 Identifying and selecting stakeholders	52
	102-43 Approach to stakeholder engagement	33; 52
	102-44 Key topics and concerns raised	52
<b>Reporting practice</b>		
	102-45 Entities included in the consolidated financial statements	51
	102-46 Defining report content and topic Boundaries	52
	102-47 List of material topics	53
	102-48 Restatements of information	57
	102-49 Changes in reporting	52
	102-50 Reporting period	51
	102-51 Date of most recent report	51
	102-52 Reporting cycle	Yearly; 51
	102-53 Contact point for questions regarding the report	65
	102-54 Claims of reporting in accordance with the GRI Standards	56
	102-55 GRI content index	60
	102-56 External assurance	This report is not subject to external assurance; 56

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	36	



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	34
<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	39
	302-3 Energy intensity	UN GC	39
<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	40
	305-2 Energy indirect (Scope 2) GHG emissions	UN GC	40
	305-3 Other indirect (Scope 3) GHG emissions	UN GC	40
<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	38

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	46
<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	49 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	48 The subdivision by employee category is not available for Arclinea, given the impossibility of gathering the corresponding data
<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	
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	UN GC	46
<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	36 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		
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	31	
<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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