

VALUE FROM VALUES

THE NATUZZI'S BELIEVE IN SOCIAL RESPONSIBILITY CONFIRMED
IN THE OPEN LETTER OF
PASQUALE NATUZZI TO THE PRESIDENT
OF THE ITALIAN REPUBLIC

"A BUSINESS MODEL
BASED ON IMMIGRANTS'
EXPLOITATION **CANCELS THE ADDED
VALUE OF THE MADE IN ITALY**"

CONSUMERS ARE LIKELY
TO **PAY MORE FOR
SOCIAL-RESPONSIBLE
PRODUCT/SERVICES** (NIELSEN)

THE HIDDEN COSTS OF CHEAP FURNITURE

For Natuzzi Group, Corporate Social Responsibility (CSR) is not just an ethical theory, but a daily top priority and a reputational imperative.

Among other actions stating our attention to environmental, social and economic impacts, **Ethical Labor Practices** play a lead role, due to our manufacturing production and as we operate in a number of international locations.

Employees aren't always treated with the same respect everywhere and it happens in Italy too.

In early December, a major accident occurred in a clothing factory in the industrial zone of the Italian town of Prato where seven people died and three were seriously injured when a Chinese-owned plant burned down, killing workers – all Chinese illegal immigrants - trapped in an improvised dormitory built onsite.

This shocking event brought back the attention to illegal production and workforce exploitation, which affects our industry and the upholstered furniture district in Puglia and Basilicata too as it was reported a lot of times by Natuzzi Group.

One of Natuzzi's work safety campaign: "Give a smart hand to your work. Always use the protective cream"

THE COMPANIES OF THE WOOD-FURNITURE SECTOR IN ITALY SAW THEIR TURNOVER FALL BY ONE-THIRD FROM 2007 TO 2012:

FROM **42.5** TO **28.5**
BILLION LAST YEAR

SOURCE: "FEDERLEGNO ARREDO", THE MOST IMPORTANT WOOD-FURNITURE INDUSTRY ASSOCIATION IN ITALY

THE DISTRICT OF UPHOLSTERED FURNITURE IN PUGLIA AND BASILICATA HAS REGISTERED

THE DROP OF THE 520 COMPANIES

IN THE EARLY 2000S TO **100** IN 2012,

WHILE EMPLOYEES DECREASED

FROM **14,000** TO JUST **6,000**



Dai una
bella mano
al tuo lavoro.

Usa sempre le creme di protezione.

NATUZZI



双手，
创造未来。

请保护好你的双手。

natuzzigroup

ACCORDING TO THE LOCAL POLICE,
IN THE MATERA DISTRICT
(VERY CLOSE TO WHERE THE GROUP'S HQ IS LOCATED)
THERE ARE ABOUT **2,000 CHINESE**,
WORKING IN FACTORIES THAT USE

**ILLEGAL WORKERS,
EVADING TAXES AND
VIOLATING SAFETY AT WORK**

THE SECTOR IS STRONGLY AFFECTED BY
THE PHENOMENON OF

**UNFAIR COMPETITION
AND UNDECLARED WORK,**

ASPECTS AFFECTING THE ACTIVITY OF
THE PLAYERS WHICH OPERATE ETHICALLY
AND IN COMPLIANCE WITH LAWS

On December 4th, our President, Pasquale Natuzzi, published on the first financial newspaper "Il Sole 24 Ore" an open letter to Giorgio Napolitano, President of the Italian Republic (see the English translation) to ask again for attention to the theme.

The annual review of contracts in the supply chain and the aggressive drive towards lower pricing can result in the cutting of labour conditions, quality and safety standards.

Natuzzi Group feels that both customers and investors should be particularly cautious of supply chain exposed to uncontrolled and illegal production which feed cheap furniture segment.



OPEN LETTER TO GIORGIO NAPOLITANO

PRESIDENT
OF THE
ITALIAN REPUBLIC

Mr. President of the Republic, Giorgio Napolitano,

My name is Pasquale Natuzzi, I am an entrepreneur in the furniture sector. For more than 54 years I have been working in the name of ethics, social responsibility and respect for the law. My company is located in the Southern Italy, between the regions of Puglia and Basilicata.

I want to express my deep appreciation for Your words of truth expressed with regard to the tragedy that occurred in Prato and I turn to You to make sure that Your warning about the need of "coordinated actions at a national, regional and local level to make illegal production and workforce exploitation come to light, so to contribute to the Italian economic development" is acknowledged from those who have the responsibility to govern and control the entire Country.

Even here, in the South of Italy - in what remains of the District of Upholstered Furniture of Puglia and Basilicata - the phenomenon of undeclared work is sadly present. For a long time, many companies of the sector have completely outsourced their production - by laying-off their workers, permanently or temporarily - thus getting prices that are by far lower than a standard industrial cost. It might appear a legal business model, but it is really based on illegality. To offer products at so low prices, in fact, the contractors almost always work illegally, both in terms of tax and security. Their workforce is mostly made up of Italian workers - who illegally work after having been temporarily laid off from other companies in crisis, and, so being paid

"Many companies of the Upholstered Furniture sector have completely outsourced their production.... Contractors workforce is mostly made up of Italian workers - who illegally work after having been temporary laid off from other companies in crisis, and, so being paid also by the central Italian Government - and by many Chinese workers, many of whom are underpaid and forced to work in inhuman conditions" *Pasquale Natuzzi*



also by the central Italian Government - and by many Chinese workers, many of whom are underpaid and forced to work in inhuman conditions.

This economic model gives rise to an entire production chain that is partially or completely illegal, and hugely damages our Country, since it initiates a devastating vicious circle. Firstly, because it cancels the added value of the made in Italy; secondly, because it boosts the tax evasion and bypasses the social contribution system; thirdly, because it

unfairly subtracts volumes and market shares to honest companies, leading them to a weaker condition and to lay-off their workers.

Consequently, the Country is deprived of resources, illegal and underpaid work increases and tax evasion grows. This economic model does not generate wealth, but only barbarism.

The responsible persons for such situation are certainly those who work in the illegality, but also those who have been contributing to such havoc for a long time. Behind those poor people, forced to work in slavery conditions, there are people who benefit and do not have a Chinese passport. It is necessary that all

these things are public. This is an open-pit scandal and several times I mentioned the major clients' names and surnames. I reported them everywhere, even in Parliament. Everyone knows in which stores and under what brand names all these products that are manufactured in such illegal way are sold.

On last October 10th we signed an Agreement with the Italian Unions to manage the 1,506 redundancies generated from this situation. That agreement is based on the stated commitment to fight together against the lawlessness that moves unfair competition. Today, there are two overlapping realities that can no longer live together. One acts openly, compliant with laws and agreements, being accountable to the Government, Labor Unions, public opinion, consumers and the commitments made with each of them. The other acts secretly, without giving account to anyone for what it does, and how it is done. Well, these two realities, dear Mr. President Napolitano, can no longer coexist. Either one or the other: either legality wins and undeclared labor succumbs or black market labor wins at the expense of law, honest companies, workers' achievements of civilization and dignity and, finally, consumers' interests. We will not be able to be consoled until the first has not prevailed. Please do not abandon us.

Santeramo in Colle, December, 3rd 2013



Rosquale Notuzzi

A MARKETING PERSPECTIVE

Over more than 50 years, our company invested hundreds of millions in developing new products; in the "democratization" of leather sofa in the '80s and '90s and then in entering the high market segment with Natuzzi Italia in 2000; in enlarging distribution in 123 markets on 5 continents, and moving from just a sofa company to the "Natuzzi Home Philosophy".

But selling excellent products at the right price is no longer enough to attract today's socially conscious shoppers.

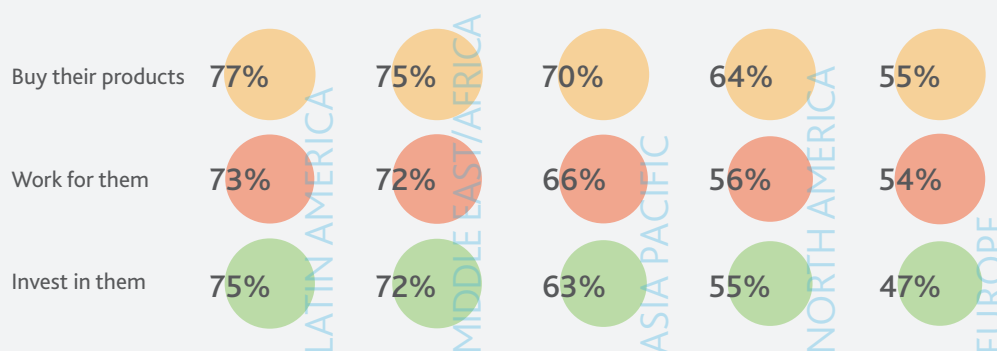
A recent study by Nielsen revealed that corporate social responsibility is now a business and marketing motivation, with 80 percent of consumers worldwide likely to switch to brands that support a good cause, given similar price and quality, and more than 40 percent (55% in Asia Pacific; 35% in North America and 32% in Europe) willing to pay extra for products and services from companies that give back to society.

Additionally, according to a study by the marketing firm Cone Communications and Echo Research, more than 90 percent of the consumers surveyed are more likely to trust and be loyal to socially responsible businesses compared to companies that don't show these traits.

That's why Natuzzi continues to believe and invest in quality, control and dialogue with company's stakeholders and, in conclusion, we can say that practicing social responsibility should also pay off financially.

CONSUMERS ARE LIKELY
TO **PAY MORE FOR**
SOCIAL-RESPONSIBLE
PRODUCT/SERVICES (NIELSEN)

% of consumers who prefer to buy from, work for, and invest in companies that give back to society



% of Consumers willing to pay extra for product and services from companies that give back to society

49%

53%

55%

35%

32%



**SEASON'S GREETINGS
AND BEST WISHES
FOR THE NEW YEAR**

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