

2015 **SUSTAINABILITY REPORT**

"There is a common thread running through the achievements of over half a century of work and our plans for the future: it is our integrity".

Pasquale Natuzzi



NATUZZI

OUR DNA

OUR DNA:
DRAWING INSPIRATION FROM
OUR APULIA IN SOUTHERN ITALY,
WE BLEND DESIGN, FUNCTIONS,
MATERIALS AND COLOURS
TO CREATE HARMONIOUS LIVING.

GROUP PROFILE

Founded in 1959 by Pasquale Natuzzi, incumbent Chairman and Chief Executive Director, the Natuzzi Group designs, manufactures and sells sofas, armchairs and furniture for dining areas, beds and furniture for bedrooms as well as home & furnishing accessories. Our Head Offices are located in the town of Santeramo in Colle, province of Bari (Apulia) in Southern Italy.

With a **turnover of 488.5 million Euros** in 2015, Natuzzi is the largest Italian furnishing company and only player with global reach in the sector. Our Group has 9 production plants, a logistic hub in Italy, **12 sales offices** and over **363 single-brand stores** all over the world.

Ethics and corporate responsibility, innovation, industrial know-how and integrated management throughout the entire value chain are the mainstays that have made the Natuzzi Group a market leader and **the best-known furnishing brand amongst luxury goods consumers worldwide** (IPSOS 2015).

Our Group is **ISO 9001** and **14001 certified** (Quality and Environment) and **OHSAS 18001** certified (Safety on the Workplace). As at 31.12.2015 it employs 4,762 full-time workers all over the world.

Natuzzi SpA is included on the list of Companies with an **outstanding Legality Rating awarded** by the Italian Antitrust Authority. Natuzzi S.p.A. **has been listed on the New York Stock Exchange** since 13 May 1993.

CONTENTS

9	LETTER TO THE STAKEHOLDERS
10	MISSION AND VALUES
11	OUR STAKEHOLDERS
12	VALUE CHAIN
14	RESPECT FOR RULE OF LAW AND THE FIGHT AGAINST UNFAIR COMPETITION
16	DEVELOPMENT, TRAINING AND SAFETY ON THE WORKPLACE
19	TACKLING THE CRISIS WITH A HUMAN TOUCH
20	INNOVATION, QUALITY, TRACEABILITY, PRODUCT SAFETY AND COMMUNICATION
26	ENVIRONMENTAL RESPONSIBILITY AND AWARENESS CAMPAIGNS
29	2015: A YEAR CHARACTERISED BY SOCIAL ENGAGEMENT

SUSTAINABILITY HIGHLIGHTS FROM 2015

ADDED VALUE
+24.8%
AS COMPARED
TO 2014

WORKERS
INVOLVED in
TRAINING SCHEMES

1,061

NUMBER
of **TRAINING**
HOURS COMPLETED

52,718

REDUCTION
in **ENERGY AMOUNTS**
PER SEAT

-21.5%

REDUCTION in
CO₂ EMISSIONS
over THE LAST 5 YEARS

-17,000
TONNES

Financial

DATA IN MILLIONS OF EUROS

	2015	2014	Delta
NET SALES	488.5	461.4	+ 5.9%
EBITDA	6.1	-22.7	
ADDED VALUE*	121.3	97.2	+ 24.8%

Operational

	2015	2014	Delta
SEATS** PRODUCED IN ITALY	354,998	342,226	3.7%
SEAT/ITALIAN WORKER RATIO	195.27	188.88	3.4%

Social

ITALY	2015	2014	Delta
WORKERS INVOLVED IN TRAINING SCHEMES	1,061	615	72.5%
NUMBER OF TRAINING HOURS COMPLETED	52,718	13,883	279.7%
CONVENTIONS WITH UNIVERSITIES & INSTITUTES	12	11	9.1%

Environmental

ITALY	2015	2011	Delta
ENERGY REDUCTION PER SEAT IN KWH	62 KWH	79 KWH	-21.5%
REDUCTION IN CO₂ EMISSIONS OVER THE LAST 5 YEARS	- 17,000 tonnes	/	/

Innovation

DATA IN MILLIONS OF EUROS

ITALY	PRODUCT INNOVATION	PROCESS INNOVATION	TOTAL
INVESTMENT PLAN UP TO 2018	22	27.7	49.7

* Added value determines how much wealth has been generated by the company and how it has been distributed amongst its stakeholders. It is calculated by measuring the difference between the production value and the costs incurred by the procurement of raw materials and services.

** A seat is a measurement unit in the Upholstered Furniture sector.



Dear Stakeholders,

As far as we are concerned, corporate social responsibility is an essential requirement for successful trading on the world market. Our 2015 Sustainability Report, which tallies with a progressive improvement in our financial-economic results, perfectly encapsulates the way our business is run and highlights the high regard we have for our stakeholders; our esteem is expressed in concrete terms by our efforts to defend legality and uphold ethical principles and not only, our respect for consumers, our commitment to create social-economic value and our determination to safeguard the environment.

Our company has forged ahead on the strength of a business idea for almost thirty years now: the concept was to sell a completely innovative product to the major distribution chains and this product was a mellow leather sofa to sink into any time of the day and available in a vast array of models, colours and functions. Driven by this idea and animated by a strong set of values, in the early '90s not only did we become a world leader in leather sofa manufacturing but we also contributed to boosting wealth and well-being in our local area.

At the start of the noughties, we underwent a profound transformation in order to prime ourselves to tackle the challenges of globalisation and to preserve the hard-won achievements of the last 40 years. A twofold target: take on international competition on an equal footing and defend Italian manufacturing. In order to reach our first target we had to set up factories abroad and continue to oversee the business-to-business channel using our Softaly brand from there. In order to preserve Italian manufacturing and fulfil our social responsibility, we had to change into a consumer brand, making investments in product innovation, product range, opening brand stores worldwide, advertising, innovation in design and production processes and a brand-new integrated management system: €600 million in investments, entirely self-financed thanks to a wise and forward-looking dividend policy. A gargantuan task, but our efforts were not in vain: today 71% of our turnover comes from the retail channel (and therefore B2C) and research confirms that Natuzzi is the best-known international furnishing brand amongst luxury goods consumers¹.

In the face of a crippling international economic crisis where other companies in the wood-furnishings sector in Italy have suffered losses in sales of up to 36%², Natuzzi has managed to turn itself around. Of course, the Natuzzi Group has not emerged unscathed from the crisis of the past few years. Yet we have grappled with the difficulties without selling ourselves short, resolutely intent on reaching our dual objective of rekindling growth by playing to our strengths (the reputation of the Natuzzi brand and a sound and far-reaching retail network) and by overcoming our weaknesses (restoring the competitiveness of Italian manufacturing by product and production process innovation techniques).

The immense sense of responsibility of all our workers, suppliers, banks, trade union associations and state institutions has been a source of comfort to us in many different ways during this remarkable period of transformation. In March 2015 we signed a major trade-union agreement aimed at retrieving competitiveness and safeguarding workers' rights in our Italian plants.

Dear Stakeholders, as I said at the outset, the fruits of our labour are now showing the wisdom of our ways and I am deeply grateful to you for your collaboration, your trust and your support. Without you none of this would have been possible.

In 2016 we will be staying our chosen course, fine-tuning our business-retail model, nurturing growth in given geographic areas and making our stores more attractive so as to draw an increasing number of customers and thus increasing profitability. Our efficiency drive will move ahead in order to sharpen our industrial activities and entire supply chain.

Proceeding with the confidence our strong ethics afford, we will keep on offering increasingly innovative and eco-sustainable products created without detracting from human rights and able, as surveys indicate³, to meet the growing demands of discerning buyers who actively seek out and recognise top quality and value for value.

CHAIRMAN E CEO

Paolo Natuzzi

¹ Source: European Brand Awareness Survey - Ipsos Observer 2015

² Source: Centro Studi Federlegno Arredo (Wood furnishing Federation Study Centre), 2014 report

³ Source: NIELSEN Global Sustainability The sustainability imperative - New insights on consumer expectations

MISSION AND VALUES

RESPONSIBILITY AND SUSTAINABILITY

THE MISSION OF THE NATUZZI GROUP IS TO CREATE VALUE WITH INTEGRITY FOR THE BENEFIT OF ITS STAKEHOLDERS. WHAT THIS MEANS IS ACTING WITH HONESTY, LOYALTY AND TRANSPARENCY, RESPECTING OTHER HUMAN BEINGS AND BRIDGING THE GAP BETWEEN SOCIAL RESPONSIBILITY AND FINANCIAL VIABILITY.

OUR COLLABORATORS AND MANAGERS LIVE AND BREATHE THESE VALUES EVERY DAY BY:

PERSONIFYING THE CORPORATE ESSENCE AND CODE OF CONDUCT;

CONSTRUING THE CORPORATE VISION AND TURNING THE BIG BUSINESS PICTURE INTO REALITY WITH THEIR DAY-TO-DAY ACTIONS;

HOLDING THEMSELVES UP AS AN EXAMPLE FOR EXTERNAL STAKEHOLDERS;

DRAWING ON VALUABLE EXPERIENCE, RESOURCES, ENERGIES AND COMPETENCES;

MAKING CHANGES IN A QUEST FOR RESULT-DRIVEN SOLUTIONS;

CONTRIBUTING TO STRENGTHEN THE VARIOUS CORPORATE AREAS;

BRINGING SKILLS TO LIGHT AND CONSTANTLY FOSTERING PROFESSIONAL GROWTH.

OUR STAKEHOLDERS

A RESPONSIBLE APPROACH

Our Group activities affect the stakeholders from a financial, social and environmental point of view*. It is our duty to act responsibly towards them and to involve them in order to facilitate comprehension as regards sustainability issues.

STAKEHOLDER	OUR RESPONSIBILITY	WHAT WE DO
WORKERS	Respect them and reward them in professional terms.	We seek out opportunities for integration; we value differences; we provide clear indications on what we want and how to achieve it; we look for ways to improve the quality of working life.
CONSUMERS	Listen to them and work for their happiness.	We strive to provide a unique buying experience, superior and innovative products and services which live up to expectations.
BUSINESS PARTNERS SUPPLIERS	Engage in fair and cooperative relations in the interest of our consumers.	We strive after legality, gravitate towards ethics, transparency and dialogue in all our business relations, adhering to the most up-to-date and stringent international standards.
SHAREHOLDERS	Achieve financial corporate success.	We are constantly on the lookout for new market opportunities and innovative solutions; we adopt planning & control instruments with a view to effective resource management.
COMMUNITY ENVIRONMENT	Act in the interests of the local area, respecting the environment and bridging the gap between social solidarity and financial viability.	We take steps to safeguard the Environment, save energy and curb CO ₂ emissions into the atmosphere; we disseminate professionalism, managerial expertise, entrepreneurial culture and working values locally and nationwide.

* For the identification of the main categories of both internal and external stakeholders, reference was made to AA1000APS Accountability standards and any parties who were deemed to be influential, strategic, proximate, representative and responsible were taken into account.

VALUE CHAIN

DESIGN

In its quest to design and develop new models, designers, interior decorators, colourists and trend experts at our Natuzzi Style Centre style lifestyles, carry out research into new materials and look into the relationship between colours and materials. But Natuzzi also collaborates with **internationally famous designers and architects** outside the Group.



INNOVATION AND DEVELOPMENT

The Natuzzi group is one of the biggest investors in innovation and research. It develops all its new products internally, setting up the production engineering process and exploring design innovation and new materials. For the period 2015/2018 it allocated investments for over € 22 million in product & design innovation and € 27.7 million in process innovation.

49.7
MILLION EUROS
in INNOVATION
INVESTMENTS
2015/2018



RAW MATERIALS AND SEMI-FINISHED PRODUCTS

Natuzzi has direct management over a tannery, Natco di Pozzuolo del Friuli, an industrial carpentry factory at Baia Mare in Romania and a polyurethane factory, Impe of Qualiano. This firsthand involvement enables it to control 92% of the raw materials and semi-finished products as well as practically all the services.

WE DIRECTLY
CONTROL
92%
of our
RAW MATERIALS
and semi-finished
products



MANUFACTURING

The Group operates 9 production sites: 6 are located in Italy (between the towns of Santeramo & Laterza and the city of Matera where a logistic hub is also in action) and these sites are entirely dedicated to Italian production which is distributed worldwide by means of our Natuzzi Italia brand stores; the other 3 sites are located in Shanghai, Baia Mare (Romania) and Salvador de Bahia (Brazil). The products leaving these sites are distributed respectively on the Asian-Pacific, European and North & South American markets.

9
PRODUCTION
SITES
WORLDWIDE

6
Factory
Plants
IN ITALY



PRE AND POST SALES SERVICES

Natuzzi delivers a **unique shopping experience** typified by staff courtesy and competence and highly technological services. Using the 3D Room Planner with avatars, our expert interior designers walk the customer through a panoply of choices, thus providing an innovative and free consultancy service and helping buyers to achieve flawless and personalised furnishing solutions. Our after-sales assistance ranges from online order management to home delivery to every part of the world.

DELIVERY
ALL OVER
the WORLD

**3D ROOM
PLANNER**
with
AVATARS



Designed by
Mario Bellini

**EMEA
MARKET**
Europe
Middle East &
Africa

**MARKET
ASIA
PACIFIC**

**MARKET
the
AMERICAS**

SALES ORGANISATION

The Natuzzi Group sells throughout 123 countries. Customer support services and the entire sales network are run from **3 Regional Offices** which serve the 3 **macro reference markets** for the Group.

The Regional office of Santeramo in Colle (Italy) for the EMEA market (Europe - Middle East - Africa).

The Regional office of Shanghai (China) for the ASIA - PACIFIC market.

The Regional office of High Point, North Carolina (USA) for the American market (see photo).

BREAKDOWN OF BUSINESS OPERATIONS

71% of our Group sales occurs through the retail channel (1,141 Natuzzi brand points of sales between stores and galleries). The remaining 29% takes place via wholesale transactions whereby the Softaly (our Group's B2B label) products not manufactured on Italian sites are sold to mass-market dealers.

B2C
71%

B2B
29%

**SOFTALY
WHOLESALE
CHANNEL**

**NATUZZI RETAIL
CHANNEL**



**Natuzzi
Dubai
Store**

RESPECT OF RULE OF LAW
AND THE FIGHT AGAINST UNFAIR COMPETITION

ITALIAN MANUFACTURING
A WORLD HERITAGE

Over 50% of the entire cultural world heritage lies on Italian soil (UNESCO data). Therefore, the superiority of Italian products could be put down to the fortunate and unique circumstances of designers and craftsmen who rub shoulders with the exquisite artistry and spectacular landscapes of this Bel Paese (Beautiful Country) on a daily basis. But even if the most exquisite products in the world are replete with the essence of Italy, unfortunately today Italian manufacturing is under siege. Many companies lay claim to Italian manufacturing despite having no right to, thus jeopardising the integrity of Italy. Defending authentic Italian values means safeguarding the finest expression of an immense heritage that belongs to Mankind.

BE WARY OF COUNTERFEIT GOODS

It is all too easy to copy a sofa. Over the last twenty years Natuzzi products have been falsified all over the world. The difference between the original and an imitation lies in the quality of the materials used, the small details and an original design. Anyone who is unable to distinguish a shoddy product from a fine Italian one is bound to go for a cheap imitation. This is why the Natuzzi Group makes heavy investments in communication campaigns so as to educate a more well-to-do and educated clientele which is able to appreciate the difference.

A DANGEROUS DIRECTION

The enemy, however, lurks on the inside. Today, Natuzzi's home ground is riddled with snares. It is the furnishing district of Apulia and Basilicata which poses the greatest threat. For years now, some competitors have outsourced their manufacturing work to third parties whose products are dirt cheap. Although these businesses appear to work by the book, it is impossible to slash prices to this extent and still be within the limits of the law. Tax compliance and safety measures have their cost. Then, there is the question of material standards which in their case are second-rate and lack certification as to origin and provenance. And worse still, they often exploit immigrant labourers by underpaying them. This alarming phenomenon is becoming increasingly widespread. Unfortunately, many Italian brands are falling into the same trap. But the greatest victims are the consumers who are defrauded and robbed of their right to authentic Italian quality.

THIS PERNICIOUS STATE OF AFFAIRS:

- destroys the intrinsic value of Italian goods;
- spawns tax evasion and lawlessness;
- robs honest companies of market shares and market volumes, thus weakening their structure and forcing them to dissipate their know-how;
- brings into existence a manufacturing chain which operates either partially or wholly in the shadows causing untold damage to Italy and its valiant enterprise.

LAWLESSNESS AND THE BLACK ECONOMY STRIP THE RIGHTS OF:

WHO	WHY
WORKERS	NO PROTECTION LOW WAGES AND EXPLOITATION NO PENSION SCHEME PAYMENTS LACK OF SAFETY AND INSURANCE COVER ON THE WORKPLACE
LAW-ABIDING COMPANIES	DOWNTURN IN SALES CRISIS MANAGEMENT AND CLIMATE OF MISTRUST AMONGST ENTREPRENEURS HEAVIER INVESTMENTS IN MARKETING, COMMUNICATION, R&D
NATIONAL SYSTEM	LESS REVENUE (DIRECT & INDIRECT TAXATION) GREATER WELFARE SUPPORT
CONSUMERS	MISLEADING ADVERTISING DUBIOUS QUALITY (UNTRACED & UNCERTIFIED MATERIALS) UNINTENTIONALLY INVOLVED IN FELONIES

NATUZZI TAKES A STAND

Saddened by this bleak landscape, Pasquale Natuzzi stood up to be counted and spoke out strongly in defence of legality and consumer rights. He reiterated his position on various occasions - during numerous interviews, a hearing at the Budget Committee of the Chamber of Deputies in 2012 and in 2013 in an open letter to the then Head of State, Giorgio Napolitano. What he wanted was for normal competition circumstances to be restored.

COUNT ME OUT

During the Legality Festival held in the town of Terlizzi in the province of Bari on 17 July 2015, the Natuzzi Group took the opportunity to reassert its stance against lawlessness and launched a nationwide campaign entitled "Count Me Out" (Non sulla mia pelle). "An "Italian" sofa sold on the market for a few hundred Euros is fleecing someone else of their rights" ran the titles of the main headlines from Italy's national dailies. The "Count me out" campaign is the voice of workers, law-abiding firms, Italy and naturally the consumers themselves who are often unwittingly taken in by this parallel underground sector which exploits sweatshop labour, avoids tax and skirts social security contributions. **Devised by the Apulian agency Proforma, this campaign, which depicts a bare back disfigured by machine quilting, was awarded the "Italy Speaks Up" (l'Italia che comunica) prize by UNICOM** (Italian Union for Communication Agencies). Composed of the best expert professionals in the sector, the panel did not only reward the campaign by giving it first prize for the category "Italy stands up for sustainability" (L'Italia che comunica la sostenibilità) but it also decided that "Count me out" was the best communication campaign for the year 2015. "The idea behind Proforma's campaign on Natuzzi's behalf was to show consumers how terribly people can be affected even by the mere purchase of the wrong sofa. What might strike the buyer as a good bargain almost always masks immense suffering. In this particular case, our entire nation is afflicted", commented Pasquale Natuzzi.



DEVELOPMENT, TRAINING AND SAFETY ON THE WORKPLACE

CULTIVATING TALENT

REACHING GOALS FOR GROWTH

Our Human Resources department plays a pivotal role in the Natuzzi Group's success story. HR management is heavily involved in optimising their management processes and devising ways to help workers achieve their working goals.

FUNDAMENTAL GUIDELINES TO HELP HUMAN CAPITAL GROW:

- assess performance levels honestly and fairly;
- promote professional development amongst individuals;
- ensure that corporate goals and individual expectations match;
- create attractive career pathways.

Worker motivation is directly linked to a development scheme that meets their needs. This is why it is essential to assign people to the right position and to reward talent. And this is the objective of Natuzzi's Performance Appraisal System which is perfectly integrated with all the other processes of Human Resource Management. Defining it is one of the most important initiatives of the year 2016.

TRAINING PEOPLE

ONGOING REFRESHER COURSES

The strong skill set of our Natuzzi workers stems from the efficiency of our Training System. The figures from the year 2015 speak eloquently: 1,061 resources involved in training schemes for a total of 52,718 hours.

THE MAIN TRAINING AREAS WERE:

- for the Operations Area, new working methods (Lean) to reduce production costs by whittling down waste and capitalising on resources;
- in the production and customer management sector, quality and awareness of consumer requirements;
- for the redundant, hands-on courses aimed at retraining personnel for re-entry into the Natuzzi workforce;
- for new recruits, workers with changes in duties and colleagues from foreign branches, alignment relating to basic corporate notions;
- for those in charge, senior management and collaborators, legal refresher courses on occupational health & safety in accordance with Law 81/08.

All of these schemes are part of a huge training programme funded by the local Apulian government for a total amount of € 1,218,760 with corporate co-funding of € 521,593.

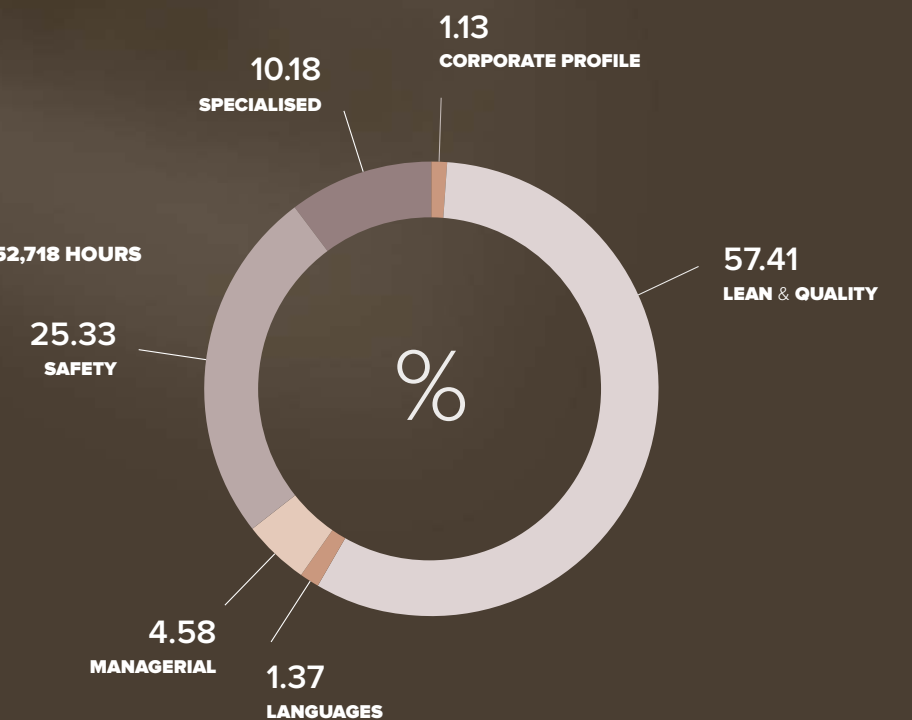
In the months of February and March 2015 another scheme provided 85 redundant workers from the Natuzzi plants in the province of Taranto with retraining. Trainees were given grounding on Lean methods and Quality and Safety whilst also benefiting from training on the job. Our 2015 training schemes also focused on refreshing the specialised competences of all corporate areas, from language learning to managerial training. But the training activities took plenty of other directions, such as trading, procurement, digital photography, visual merchandising and e-learning.

Over the year 2015 we kept up the work begun in 2014 for the Marketing and Sales area aimed at improving the portfolio for Product/Service management and for profit optimisation.

The Natuzzi Group also organises business training courses for salespeople, affiliates and dealers. As far as SOX legislation (the law aimed at tightening corporate governance and ensuring transparency as regards accounting records for companies listed on the US financial markets) is concerned, a training session was duly held on important new developments in order to bring the relevant company departments up to speed. In the Prototypes & Innovation Research area the courses related to applied ergonomics and FEM analysis. Refresher courses were also held for the Maintenance area: expert & informed personnel sessions, hardware & software courses and seminars on working at height.

TRAINING 2015

CHART SHOWING
THE DIFFERENT TYPES
OF TRAINING FOR A TOTAL OF **52,718 HOURS**



In 2015, the Natuzzi Group launched its **Talent Acquisition** project in order to scout out capable young people to join the team. To this end, conventions were drawn up with the Polytechnic Universities of Milan and Bari where Recruiting Days were held with special company testimonials and 6-month internships for young graduates. In April 2015 Natuzzi signed a convention with "the ItS "A. Cuccovillo" high school of Bari to set up the first post-diploma two-year course for Highly Specialised Wood Mechanics - Home Systems"

THE GROUP SIGNED AGREEMENTS AND CONVENTIONS WITH UNIVERSITIES AND SCHOOLS:

SCHOOLS AND UNIVERSITY RESEARCH: AN INTRICATE NETWORK KEEPING US IN THE LOOP AND PUTTING US IN TOUCH WITH NEW TALENT

For years now the Natuzzi Group has worked at building up relations with various academic institutions intending to hit two birds with one stone: staying up-to-date with the latest advances in the field of industrial research and seeking out bright and skilled youngsters to hire.

CLASSIC UNIVERSITIES & POLYTECHNIC UNIVERSITIES

- Politecnico di Milano
- Politecnico di Bari
- Politecnico di Torino
- Università del Salento (Lecce)
- Università Ca' Foscari (Venezia)
- Università Iulm (Milano)
- Università degli Studi di Bari
- Università Luigi Cattaneo, Liuc, Castellanza (Varese)
- Università degli Studi di Camerino (Macerata)
- Università Commerciale Luigi Bocconi (Milano)
- Technical University of Cluj Napoca (Romania)

SCHOOLS

I.T.S. CUCCOVILLO HIGH SCHOOL IN BARI
For almost 4 years now a close connection has existed between the Natuzzi Group and this technical high school which is specialised in mechatronics and industrial & process innovation. The companies which participate in the I.T.S. school arrange for youngsters to train on site and over 80% of these schoolleavers find immediate employment both in their local area and outside it. This year saw the start of Natuzzi's two-year training course on "wood mechanics": an educational path available to 20 students for a total of 2,000/2,100 hours of which 800 dedicated to intermediate internships and 160 to final internships.

TACKLING THE CRISIS WITH A HUMAN TOUCH

INDUSTRIAL RELATIONS IN NATUZZI

The chain of positive interaction with industrial and institutional parties set in motion by the Group and the trade union associations between 2013 and 2015 in order to restore competitiveness to Italian products and reduce unemployment has **gradually led to a reduction in redundancy numbers from 1,726 to 331**. The Pacts signed on 3 March and 10 October 2015 placed the spotlight on the 2015 - 2018 Investment Plan aimed at retrieving competitiveness by means of product and production process innovation - and at **protecting** the current Italian **1,918 strong workforce**. Managing 331 redundant workers involves incentivising some to take early retirement and relocating others in other companies. **In keeping with the Pacts** signed in March 2015, an **amount of approximately 10 million Euros** was allocated for the redundancy plan. The corporate goal was to offer relocation to all the redundant workers.

THE NATUZZI ASSIST PROJECT

FOR WORKERS, ENTERPRISE AND THE LOCAL AREA

Natuzzi does not abandon its laid-off workers which is why it has come up with its ASSIST project which offers any redundant staff members **an incentive of 5,000 Euros if they accept relocation** and **12,000 Euros to any** (non-competing) **companies who will take them on**.

Workers will be trained and prepared to meet the requirements of the accepting company which will thus benefit from lower labour costs. The Assist incentives are in addition to other statutory benefits to which any company taking on redundant workers is entitled. And Natuzzi is also willing to look into the possibility of allowing these hiring companies to use its obsolete factory plants.

Throwing away our workers' know-how and competence would be nonsensical and counter-productive: Assist allows the local area to benefit from these precious assets, thus fostering growth. It may be an unorthodox approach but it is entirely consistent with Pasquale Natuzzi's lifelong philosophy and his determination to create local jobs.

**PRONTO
A RIENTRARE
IN GIOCO.**

La cassa integrazione scade.
Un lavoratore no.

La cassa integrazione per i 340 collaboratori Natuzzi in esubero scade il 15 ottobre 2016, ma l'impegno del Gruppo nei loro confronti continua. Con il sostegno di Sindacati e istituzioni è nato Assist, il progetto Natuzzi che offre 5.000 euro al collaboratore in cassa integrazione che inizierà un nuovo percorso di lavoro e **12.000 euro all'azienda che lo assumerà a tempo indeterminato**. Alle aziende inoltre offriamo l'utilizzo dei nostri stabilimenti non attivi.

L'incentivo di Natuzzi Assist è superiore a quello del Jobs Act e si aggiunge a quelli per l'assunzione di lavoratori in cassa integrazione. Grazie ad Assist, l'assunzione di un lavoratore Natuzzi si rivela non solo un investimento responsabile, ma anche vantaggioso. Il nostro progetto è una risposta nuova alla crisi: **è un assist per le aziende, un assist per i lavoratori, un assist per il rilancio del territorio.**

Qualità ISO 9001
Attestato ISO 14001
Struttura del nostro OHSAS 18001

numero verde assist
800 92 91 51

assistnatuzzi.com
lavoroetico.com

assist È UN PROGETTO
natuzzigroup
VALUE FROM VALUES

**INVESTIAMO IN FIDUCIA
GUADAGNIAMO IN FUTURO.**

Un'impresa che investe soltanto per il profitto, non ha anima.
L'Accordo Sindacale firmato a Roma il 3 marzo 2015 fra Gruppo Natuzzi, Sindacati, Governo e Regioni rappresenta un grosso investimento alternativo: **in fiducia**.
Un buon investimento, da cui ci aspettiamo un ottimo guadagno: **il futuro**.
Il futuro di un'Azienda che vuole continuare a competere nel mondo e creare valore, partendo dai valori. Il futuro di un Sud che si rialza e si rimette in cammino con le proprie gambe, senza vittimismo e piagnistei.
Il futuro che avvertiamo dal vento che cambia e che sta iniziando a muovere questo Paese. Il futuro di un'Italia che rinasce, unita, operosa, consapevole, creativo. In cui credere e investire.
Finalmente un'Italia viva. Un'Italia nuova.

Pasquale Natuzzi

L'ACCORDO IN PILLOLE

- **PIÙ MADE IN ITALY**
Meno prodotti esteri
- **NESSUN LICENZIAMENTO UNILATERALE**
Contratto di collaborazione e ricerca per gli anni successivi
- **PIÙ INNOVAZIONE NEL PRODOTTO E NEI PROCESSI PRODUTTIVI**
Migliore efficienza e competitività della fabbrica italiana
- **MENO PREROGATIVE RETRIBUITE**
Più imprese e produzioni per fronteggiare la crisi
- **MENO SCATTI DI ANZIANITÀ**
Un vero grande rilancio, quello di tutti

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VALUE FROM VALUES

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INNOVATION, QUALITY, TRACEABILITY, PRODUCT SAFETY AND CUSTOMER COMMUNICATION

PRODUCT AND PRODUCTION PROCESS INNOVATION

TWO BIRDS AND ONE STONE: SUSTAINABILITY

The Natuzzi Group’s preoccupation with corporate social responsibility rests on a series of fundamental themes: innovation, quality, traceability, product safety and good customer communication.

As from 2013, the Natuzzi Group has set up two “hives”: one dedicated to product innovation and the other to production process innovation based on Lean Enterprise principles. There is a sole objective: improving group competitiveness worldwide and making Italian products financially viable.

Sofa design techniques have been brought up to standard by applying the modular industrial platform method, already in use in the automotive industry. Whereas previously a sofa was designed to be assembled from a single workstation by a sole operator, today each sofa is designed per single component part (which is used for more than one model) and assembled according to a new production process known as “Moving Line”. This involves a team of assemblers mounting the various sofa parts (back, seat and arm rests) in sequence.

Currently, **80% of Natuzzi’s turnover comes from models which are engineered** with modular industrial platforms and manufactured with the new production process. This approach has revealed patterns between the various component parts, improved workstation comfort levels, reduced product handling time and lessened damage risks. Together all of these factors have led to a **3% reduction in production costs as compared to 2014** and an improvement in plant quality and productivity.

OBJECTIVES ORGANISED INTO AREAS

DESIGN INNOVATION	DOING AWAY WITH COMPLEXITY AND REDUCING WASTE	FORESTALLING PRODUCT DAMAGES ARISING FROM WEAR & TEAR	CREATING PATTERNS BETWEEN COMPONENT PARTS	CUTTING DOWN ON TIME-TO-MARKET
PRODUCTION PROCESS INNOVATION	IMPROVING WORKSTATION ERGONOMICS	INCREASING PRODUCTIVITY	REDUCING PRODUCTION LEAD-TIME	IMPROVING PRODUCT QUALITY

AT NATUZZI, QUALITY IS IN EVERYONE’S HANDS

The Natuzzi Group’s concept of quality goes well beyond normal boundaries. Quality of design and quality materials most certainly important, but equally important are quality of working life and a quality buying experience for our Natuzzi customers.

In addition to **ISO 9001** (Quality) Certification, which attests the operational efficiency of the Natuzzi’s entire corporate system as regards customer satisfaction and company performance levels, there are also our **ISO 14001** Certificates (which testify to Natuzzi’s utmost efforts to keep any impact its business activities might have on the environment at bay) and **OHSAS 18001** (which attests Natuzzi’s commitment to eliminate or minimise risks of occupational accidents or illnesses for its workers).

in order to tighten up our customer services and quality standard even further, Natuzzi set up an **Inter-Functional Quality Committee** in December 2015 whose activities permeate the entire company: from customer service to product design & development, from procurement to production and even including haulage.

In 2016, Natuzzi set the wheels in motion to obtain **Certification from the FSC** (Forest Stewardship Council), a system set up for operators who transform and/or sell products deriving from certified forests and aimed at guaranteeing wood traceability. Issued by independent and accredited Certification Bodies, FSC certification is another pledge that the timber used to manufacture Natuzzi products comes from responsibly managed forests and contributes positively to environmental, social and economic welfare.

CONNECTING WITH CUSTOMERS

The Natuzzi Group is duty-bound to take all necessary steps to make its customers happy. Actively listening to consumers is a way to create a unique buying experience for them: innovative superior products and services which exceed their expectations.

A CAMPAIGN BY WAY OF AN EXAMPLE
RESPECT FOR OUR CUSTOMERS MEANS TELLING THE TRUTH

Launched in October 2011, this campaign demonstrates how Natuzzi communication exalts the supremacy of Italian products whilst meeting consumer needs. In the darkest hours of our national slump whilst other companies scrabbled to offer cut-price items, Natuzzi commenced a campaign which read:

“1,290 Euros is a substantial sum!”.

This is an instance of how Natuzzi goes against the tide: it holds its customers in high regard whilst it recognises the value of money and the intrinsic worth of its product.



Natuzzi’s Divani & Divani campaign goes through the costs involved in manufacturing Natuzzi products with great frankness and point by point: quality of materials and design, respect for the environment and workers and superb Italian craftsmanship. Outstanding quality that warrants that “substantial sum” and puts a Natuzzi sofa into a league of its own. A Natuzzi sofa is not just “any old sofa”. And so it is that the Natuzzi Group has served its mission for 57 years now, creating value for its customers.

One of our prime values is speaking the truth. It is a form of respect for our clientele. Indeed, maybe it is even the most important of all our values as it forms foundations for trust.

OUR NEW NEWSLETTER Q INSIGHT

Our new newsletter *Q Insight* came into existence in 2015 with a view to keeping the Natuzzi Group sales force abreast of the constant sofa part improvements achieved by the *Quality Department*.



QUALITY: ENGAGING WITH CUSTOMERS

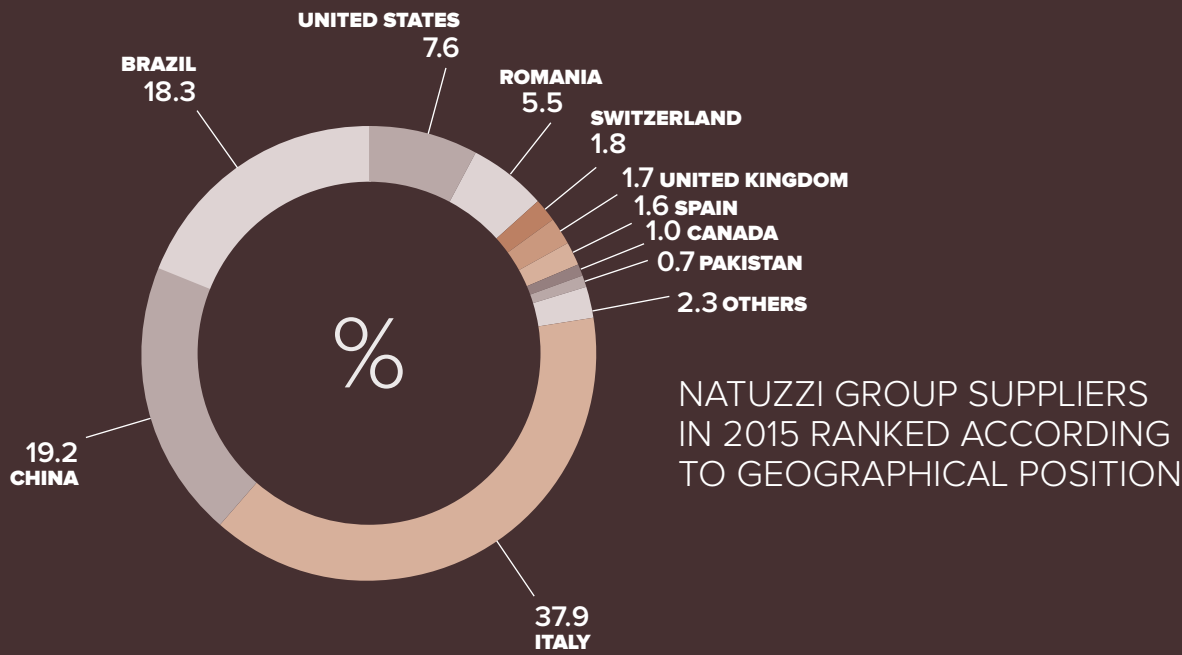
Divani & Divani by Natuzzi provides the best support service in Italy for the sofa & armchair sector. These were the findings of an extensive survey (388 companies from 70 different sectors) conducted by the German Institute for *Quality & Finance*. The sector average came to 68.7%, *D&D* came out top with 80.2%!

SOFA & ARMCHAIR SUPPORT SECTOR		
RANKING	COMPANY	SES
GOLD	Divani & Divani	80.2%
GOLD	Chateau d'Ax	77.2%
GOLD	Poltronesofà	69.9%
	B&B Italia	
	Poliform	
	Poltronafrau	

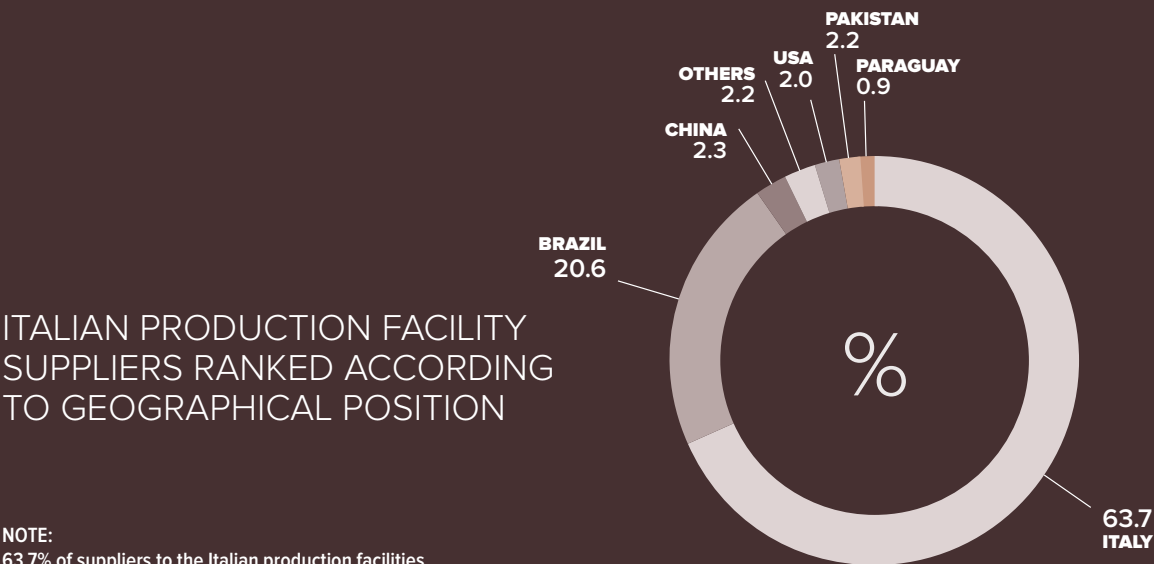
SOURCE: GERMAN INSTITUTE FOR QUALITY & FINANCE 2015 "SERVICE CHAMPIONS"

THE SUPPLIERS

The Natuzzi Group's supplier selection process is impartial. All participants are afforded the same opportunities and their merits are gauged exclusively on the basis of quality, price, reliability and professional standards. Any attempts at bribery are held in abhorrence and will be prosecuted. In 2015, **64% of supplies used by the Italian production facilities were of Italian origin, whilst 20.6% came from Brazil**, particularly the leather. These leather supplies are processed on Italian soil by Natco S.p.A. and only used partially by the Italian facilities. The rest is sold back to foreign production facilities.



NATUZZI GROUP SUPPLIERS IN 2015 RANKED ACCORDING TO GEOGRAPHICAL POSITION



NOTE:
63.7% of suppliers to the Italian production facilities and 38% of our total suppliers are Italian.

STRINGENT CONTROLS ON RAW MATERIALS

THE NATUZZI GROUP ONLY ACQUIRES
RAW MATERIALS AUTHORISED BY
EUROPEAN COMMUNITY LEGISLATION.
ALL NEW MATERIALS ARE SUBJECTED
TO RIGOROUS INSPECTIONS
TO EVALUATE QUALITY, SAFETY,
IMPACT ON THE ENVIRONMENT
AND WORKER SAFETY.

THE WOOD

TOTAL TRACEABILITY

In 2011 during the International year of forests, the Natuzzi Group tweaked its sound management criteria for the conservation of trees and forests.

The Group-owned woodwork facility located in Baia Mare in Romania only uses legally harvested timber which comes from responsibly managed invulnerable forests. If suppliers fail to regularly update the Natuzzi Group as to the origin, volume and species of all timber sold, their supply contract is cancelled.

THIS IS A COPY OF OUR ENVIRONMENTAL POLICY ON TIMBER USAGE:

- all of our vendors must provide documents bearing the Country of origin, the legal status and the exact location where trees were cut and from whence they were transported;
- timber harvested from natural forests undisturbed by man or from other sites geographically classified as High Conservation Value Forests may not be used unless certified for the purpose according to FSC standards;
- timber may not be used when it comes from forests stricken by hostilities, from tropical or subtropical forests illegally logged to be exploited as plantations or for purposes other than forestry or from plantations containing genetically modified trees. In keeping with the most stringent international legislation, the use of formaldehyde on wood-derived materials must be kept to a minimum.



THE LEATHER

NATURAL AND PURE

Natuzzi leather comes exclusively from livestock raised to enter the food chain. The animal's coat is retrieved, processed and transformed at Natco (Pozzuolo, Friuli), the Group tannery. Constantly subjected to internal audits, Natco vouches for the fact that corporate standards and safety & environmental standards and regulations are abided by.

As from 2012, the Natuzzi Group invested over 1.2 million Euros in an improvement scheme, making its equipment sustainable and more efficient and outfitting it with the most advanced solutions on European soil.

The refurbishment work on the dyeing department has meant that the tannery has been able to computerise the entire processing stage and introduce new drums, thus diminishing the impact on the environment by using even fewer chemicals and consuming less water. Major investments have been made in research & development on more eco-friendly tanning compounds. For instance, Wet White leather is obtained by an innovative tanning process that does not involve the use of chromium or other heavy metals. Natco has certified its environmental system according to ISO 14001 standards as has its occupational health & safety management system which complies with OHSAS 18001 standards.

THE DOWN

QUALITY THAT RESPECTS ANIMAL LIFE

For its padding purposes, Natuzzi only procures down from suppliers who respect animal life and quality requirements. In particular, supplying firms are held to:

- monitor and verify manufacturing processes from the moment raw materials cross the threshold to the time the finished product leaves the premises (as per EC regulation 1069/2009);
- abide by the Code of Conduct which condemns any plucking practices on live animals, as envisaged under EDFA traceability standards, and to hold a traceability Certificate issued by IDFL, an internationally recognised body.



ENVIRONMENTAL RESPONSIBILITY AND INITIATIVES TO RAISE AWARENESS

SUSTAINABILITY IN THE VALUE CHAIN

The Natuzzi Group has embarked on a comprehensive effort to bring sustainable development directly into its production and sales processes. The usage of photovoltaic power, environmentally friendly technology, natural materials such as wood and leather, strict corporate policies on deforestation and environmental and quality certifications are all ways to help save the environment, attracting a consumer target which does not only seek out functional and beautiful design but also gravitates towards sustainable products.

HERE ARE THE GROUP'S MAIN COMMITMENTS TO SAVING THE ENVIRONMENT:

- keep tabs on the environmental impact of each single corporate activity;
- streamline energy and raw material consumption and search out the best technology to keep pollution to a minimum;
- give preference to waste recovery and especially to recycling rather than waste disposal which must nevertheless take place in special leakage-proof external sites;
- set up temporary storage sites for leather scrap and industrial waste;
- provide workers with training on environmental matters, raising their awareness and making them feel involved;
- promote respect for the environment amongst suppliers, favouring those who share Natuzzi's corporate policy;
- engage in open and constructive dialogue with state bodies and local institutes.

OUR ENVIRONMENTAL COMMITMENT AT OUR INTERNATIONAL BRANCHES

BRAZIL

In 2012 the **Brazilian production plant began an energy efficiency improvement project** during which it raised awareness amongst its staff members educating them to rethink their routine gestures: proper usage of their pc, other equipment and working apparatus. Constant attention to consumption led to small changes which in turn led to significant savings: automatic shutdown of compressed air equipment, rationalising start-up times for the air conditioning units and launching a feasibility study with a view to installing clear roof panels to cut down on electricity for lighting.

But Natuzzi's commitment to raising environmental awareness also extends to the local community and it promotes energy saving at school and publicises the need for clean beaches.

ITALY

In 2010 the Natuzzi Group mounted **21,000 solar modules on the rooftops** of the facilities in Santeramo in Colle (Bari), Matera and Laterza (Taranto) with an approximate power capacity of 4.0 megawatts. This energy efficiency improvement project has brought the amount of energy required to manufacture one seat from 79 kWh (2011) to 62 kWh (2015), thus saving the environment the equivalent amount in CO₂ of emissions in 4,300 cars.

In confirmation of its commitment to sustainability, the Natuzzi Group participates in **"M'illumino di meno"** (I light up less), an initiative launched by the Italian national Rai Radio Channel 2 which invites citizens and institutions to show their support for energy saving by switching off the lights. In 2013 the Natuzzi Group took part in this campaign and turned off the lights in its headquarters and its *Divani & Divani* by Natuzzi stores, achieving total energy savings of 2,560 kilowatts/hour equal to **a CO₂ saving of about 1.15 tonnes**.

ROMANIA

In 2015 the production plant of the Natuzzi Group in Romania **obtained 52% of its energy requirements from renewable sources**.

The wood processing waste was used by power stations which transformed it to provide 78% of the energy requirements to heat the plant premises (59,854 square metres).

CHINA

In the Shanghai factory plant, the efficiency drive was launched in 2011 and included **tweaking workers' routine activities**, using **led lights**, adopting **new devices** leading to energy savings in wood processing and even setting up an agreement with the municipal authorities to avoid electrical overload at peak times. The Chinese factory is also pioneering **a new system for the collection of waste sawdust** to be used for **pellet** production. In 2014, we attained **ISO 14001 certification** in recognition of our efforts.

2015: A YEAR CHARACTERISED BY SOCIAL ENGAGEMENT

08 March 2015

FOR ALL WORKING WOMEN.

The Natuzzi Group took part in an initiative organised by **Fillea Cgil Puglia** (Woodworkers trade union of Apulia) in conjunction with the **University of Bari** in honour of women who reconcile job and family.

Data collected from one-to-one interviews and questionnaires for the female Natuzzi workers went towards a study which aims to improve women's quality of life both in the hearth and at work.

15-17 May 2015

PLAY THE GAMES SPONSOR

The Natuzzi Group sponsored "Play the Games", the national Summer games organised by *Special Olympics Italia* for children and adults with intellectual disabilities which took place in Santeramo in Colle in 2015..

22 May 2015

SPECIAL MENTION

AT THE **INDUSTRIA FELIX PRIZE AWARDS**

The first edition of the "Industria Felix Prize Awards - Apulia in the running" bestowed awards to 25 Apulian companies for their entrepreneurial excellence. Natuzzi S.p.A. was given a **special mention** for being the best company for number of employees in 2013 (2,831).

24 May 2015

MAIN SPONSOR FOR **RACE FOR THE CURE**

Again in 2015 *Divani & Divani* by Natuzzi was the main sponsor of *Race for the Cure*, the charity marathon of worldwide prominence organised by the non-profit organisation Komen Italia, an association which raise funds for the fight against breast cancer.

What is more, as a result of our collaboration with Susan J. Komen Italia, over eight hundred free breast screening tests have been carried out since 2007 on Komen's mobile unit at the Natuzzi headquarters at Santeramo in Colle.

17 July 2015

PASQUALE NATUZZI

AT THE **2015 LEGALITY FESTIVAL**

Pasquale Natuzzi took part in the *2015 Legality Festival* of Terlizzi where he asserted how important it was to create a future for young people and inject new dynamism into the local area by restoring legality, reinforcing human rights and reinstating fair competition.

In 2014 the Festival received a medal from the Italian Head of State in acknowledgement of its excellent contribution to the theme of legality.

27-28 September 2015

IN SUPPORT OF WOMEN'S LITERATURE

The Natuzzi Group honours its links with Apulia and promotes its talents by sponsoring the "Write while you write" ("*Scrivere scrivendo*") project: Women on the net".

Organised by the Apulian section of the European Writing Women Association and by LOGOKRISIA, an association of female authors and professions from the world of communication, this cultural event was held in the Marquis Palace of Santeramo, decorated for the occasion by *Divani & Divani* by Natuzzi.

1st December 2015

A WINNER OF THE **ITALIAN TALENT AWARD 2015**

Set up by the Italian Talent Association with the patronage of the Council of Ministers, Council of Chambers and many Ministries, this initiative is dedicated to journalists and **anyone who promotes Italian excellence worldwide**. Representing Italian excellence for the furnishings and design sector, Pasquale Natuzzi walked away with the special prize for Italian manufacturing as he was recognised as an example of creativity and innovation all over the world.

09 December 2015

NATUZZI LIGHTS UP **CHRISTMAS AT SANTERAMO**

The Marquis Palace, the *Chiesa del Purgatorio* (Church of Purgatory) and that of Sant'Eligio (Saint Eligius) of Santeramo in Colle acted as a perfect backdrop to a magnificent display created by the Natuzzi Group for peace in the world. In the meantime, in Piazza Garibaldi **more than 12,000 leds courtesy of Natuzzi** flooded a huge century-old olive tree with light. Once the Christmas celebrations were over, the tree was replanted amongst the flowerbeds of the Group headquarters.





NATUZZI

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