

MARGRAF

Sustainability Report 2022



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Margraf S.p.A. - June 2023 - Chiampo (VI)

Introductory Note

Margraf S.p.A. specialises in the processing and marketing of marble and natural stones, overseeing every stage of the process from extraction to the creation of products unparalleled globally.

The company's collaborations with renowned international architects and designers have consistently set it apart for its innovative focus on details. The current business context is pushing the boundaries of these collaborations, now including social as well as environmental issues.

This backdrop frames the issue of our first Sustainability Report. We aim to offer stakeholders a multifaceted insight into our organisation, tracing the journey from our supply chain to our end customers, with the goal of highlighting the strategic choices steering the company towards a more sustainable future.

Statement on Sustainable Development Strategy

With this first Sustainability Report, Margraf S.p.A. underscores its commitment to dialogue, openness, and growth alongside all its stakeholders.

We have embedded sustainability principles within our growth strategy, ensuring they become pivotal to our company's future.

Our team remains dedicated to pursuing measures and making decisions to minimise our environmental footprint. A paramount objective is the evolution of our products towards environmental sustainability.

This Sustainability Report prioritises transparency and determination, both essential in showcasing the beauty of natural stone to global markets.

Organisation and Reporting Practices

ORGANISATION DETAILS

- Legal Name: MARGRAF S.p.A. or also MARGRAF S.p.A. MARMI VICENTINI
- TAX CODE 01317330247
- Business activity: Ateco Code 23.70.1 – Cutting, shaping and finishing of stone and marble 2.1b
- Legal status: Public Limited Company 2.1c
- Registered office: Chiampo (VI) Via Marmi no. 3 Postal Code 36072

TERRITORIAL LOCATIONS

In addition to its registered office, MARGRAF S.p.A. has several local units supporting its business:

- Local Unit VI/13: Via Castiglione n.15/c Chiampo (VI) Postal Code 36072
- Local Unit VI/17: Via Torri di Confine snc Gambellara (VI) Postal Code 36053
- Local Unit BS/1: Botticino (BS) Postal Code 25080
- Local Unit BS/5: Località Monte Coste snc Nuvolera (BS) Postal Code 25080
- Local Unit FR/1: Via Taverna n.50 Ausonia (FR) Postal Code 03040
- Local Unit UD/1: Frazione Pierabech Forni Avoltri (UD) Postal Code 33020
- Local Unit VR/2: Località Vanti Selva di Progno (VR) Postal Code 37030
- Local Unit VR/3: Via Calcare Badia Calavena (VR) Postal Code 37030

ENTITIES INCLUDED IN THE ORGANISATION'S SUSTAINABILITY REPORTING

The entities included in this Sustainability Report comply with the provisions of Italian Legislative Decree 254/2016. Article 4 of this Decree mandates that, in addition to information about the parent company, details related to its subsidiaries as per Article 3 should be included.

MARGRAF S.p.A. is a controlling entity and holds the following equity investments in other companies:

- Ducale Marmi SRL (ITA): 75%
- MARMOR Sezana (SLO): 19.25%
- MARGRAF DOO (HR): 100%
- MARMO INC (USA): 50%

Although these entities play a stakeholder role, they are not included in this first sustainability report. The qualitative and quantitative information in MARGRAF S.p.A.'s 2022 Sustainability Report pertains to the company's performance during the reporting period 2022 as detailed in the report.

As regards financial data, there are no discrepancies between the two reports. Any discernible differences stem from potential reclassifications to facilitate a more precise analysis of the data included in the Sustainability Report, with clarifications provided in this General Disclosures section.

Our approach to consolidating information sought to emphasise comparability. The data thus directly stem from the annual financial report. Reclassifications were undertaken to better present the company's sustainability investments and are duly explained wherever relevant.

REFERENCE PERIOD, FREQUENCY AND CONTACT POINT

This is the first sustainability report for MARGRAF S.p.A., referencing the year 2022 and retrospectively examining data from previous years if in-depth information was required. These instances are explained in detail within the report.

The Sustainability Report will be issued annually, aligning with the financial report to ensure data comparability.

The report's publication date is 30 April 2023, covering the period from 1 January to 31 December 2022.

RESTATEMENTS OF INFORMATION

Besides accounting values, as previously mentioned, this first report from MARGRAF S.p.A. introduces new sustainability data. Future editions will provide context for any historical comparisons.

EXTERNAL ASSURANCE

In compiling the Sustainability Report, MARGRAF S.p.A. sought the inclusion of roles that could vouch for various corporate functions to present a comprehensive picture of the diverse actors within the organisation.

To consolidate the provisions of Italian Legislative Decree 254/2016 and the related CONSOB guidelines, resolution 20267, which mandates the company's Board of Directors as the assurance body for reporting, Roberto Xompero, a member of the Board until 2022 and currently serving as CEO, is a member of the working group.

The creation of the Sustainability Report takes inspiration from the GRI (Global Reporting Initiative) "core - reference" guidelines, thus adhering to principles such as Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability Context, Timeliness, and Verifiability.

The responsibility for drafting the Sustainability Report, notwithstanding regulatory responsibility provisions, was assigned to an independent external company. This company utilises certified sustainability experts, such as a UNI/PdR 109.1:2021 Sustainability Manager accredited under no. TSA_PRO1_2022-008 with ACCREDIA and GRI-certified under the Professional Certification Program.

Collective knowledge of the highest governance body

The knowledge of the highest governance body and of its corresponding functional responsibilities is clearly illustrated on various corporate notice boards, as well as during presentations aimed at sharing the company's pathways, involving diverse stakeholders.

In this report, we have chosen to provide an overview of the new company organisational chart, approved on 6 April 2023, as the previous one no longer accurately represented the organisation's structure.

ROLE OF THE HIGHEST GOVERNANCE BODY IN SUSTAINABILITY REPORTING

As previously outlined, the Board of Directors (BoD) plays a pivotal role in the management of sustainability projects. Within this context, a dedicated working group acts as its executive arm.

During the drafting of the Sustainability Report, no conflicts of interest were identified. Insights gathered throughout the process highlighted situations where various functional players made positive critical assessments. This proactive approach is more about anticipating potential issues than neglecting them, thereby preventing risks that might arise in the future.

An illustrative example pertains to the company's subsidiaries, where multiple collaborations serve to mitigate potential business risks.

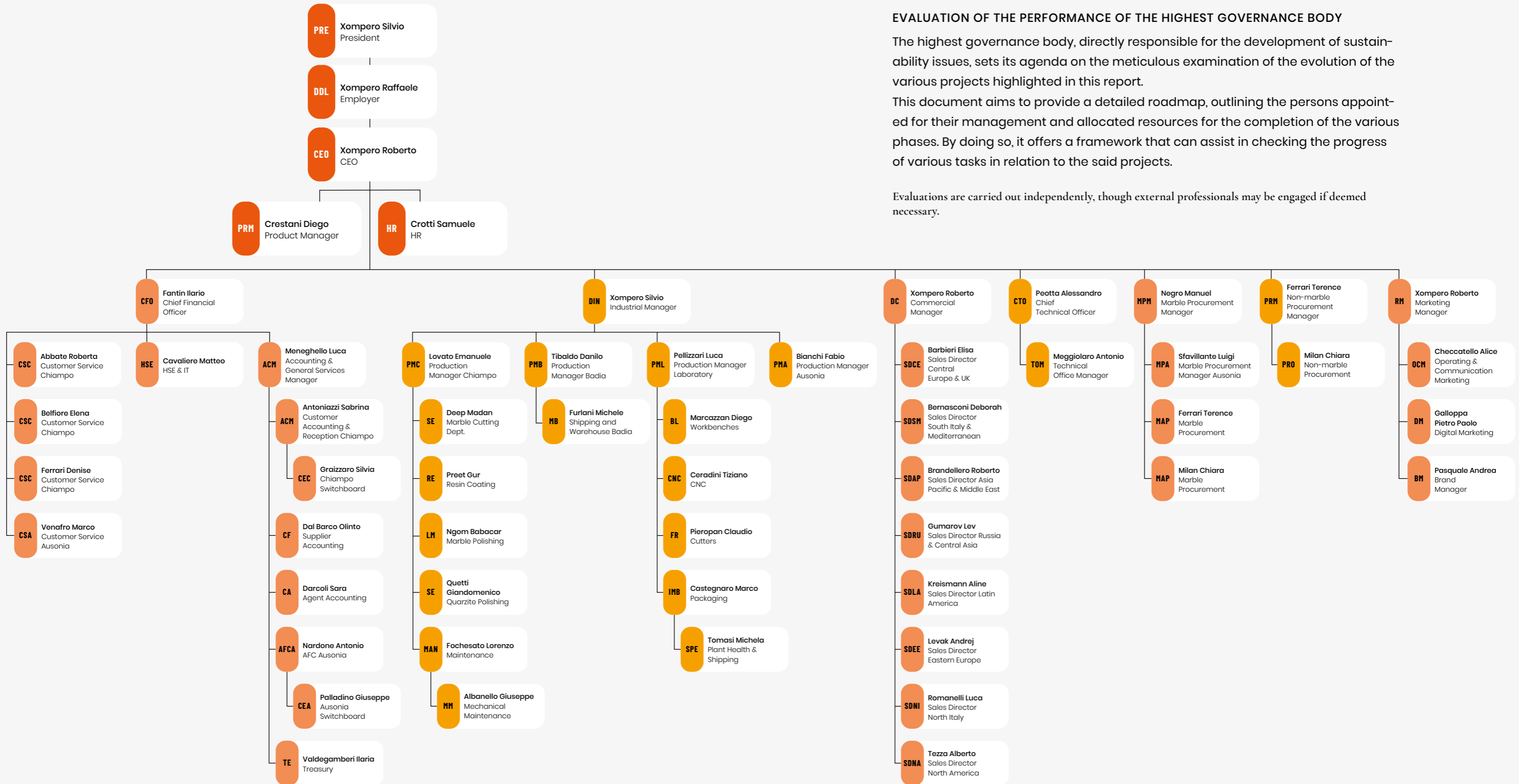
DELEGATION OF RESPONSIBILITY FOR MANAGING IMPACTS

The development pathway of this project involved various company functions, specifically consolidated into a cross-functional team established by the BoD of MARGRAF S.p.A.

This group, following the steps outlined in the Project Charter crafted for the sustainability report's formulation, represented the following integrated areas under the company's CEO, Roberto Xompero:

- HSE (Health, Safety & Environment) Manager
- Administration Manager
- CFO
- CTO
- A Marketing Area Representative
- A Buyer Area Representative
- A Production Representative for the Marble Resin Coating and Polishing Line
- A Sales Area Representative
- A CNC Representative
- Laboratory Manager

Organisational Chart



EVALUATION OF THE PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

The highest governance body, directly responsible for the development of sustainability issues, sets its agenda on the meticulous examination of the evolution of the various projects highlighted in this report.

This document aims to provide a detailed roadmap, outlining the persons appointed for their management and allocated resources for the completion of the various phases. By doing so, it offers a framework that can assist in checking the progress of various tasks in relation to the said projects.

Evaluations are carried out independently, though external professionals may be engaged if deemed necessary.

Activities and workers

ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS

As set out in its business purpose, MARGRAF S.p.A. operates in the quarrying and machining of marble products.

MARGRAF S.p.A.'s value chain can be categorised into three main areas of relevance, specifically relating to suppliers, staff, and customers:

- The supplier network encompasses a delicate balance between raw materials and the locations of the quarries, for which Italy serves as the primary reference point.
- The staff comprises, among others, processors with a deep experience of a material that, in its raw form, embodies art and structural beauty.
- Our customers are those who desire to express a sense of well-being through this beauty, a sentiment often shared with society.

In the product development process, these areas have their own peculiar strategic importance, as they are interconnected protagonists throughout the entire transformation process, requiring timely attention as we will see in the sections below.

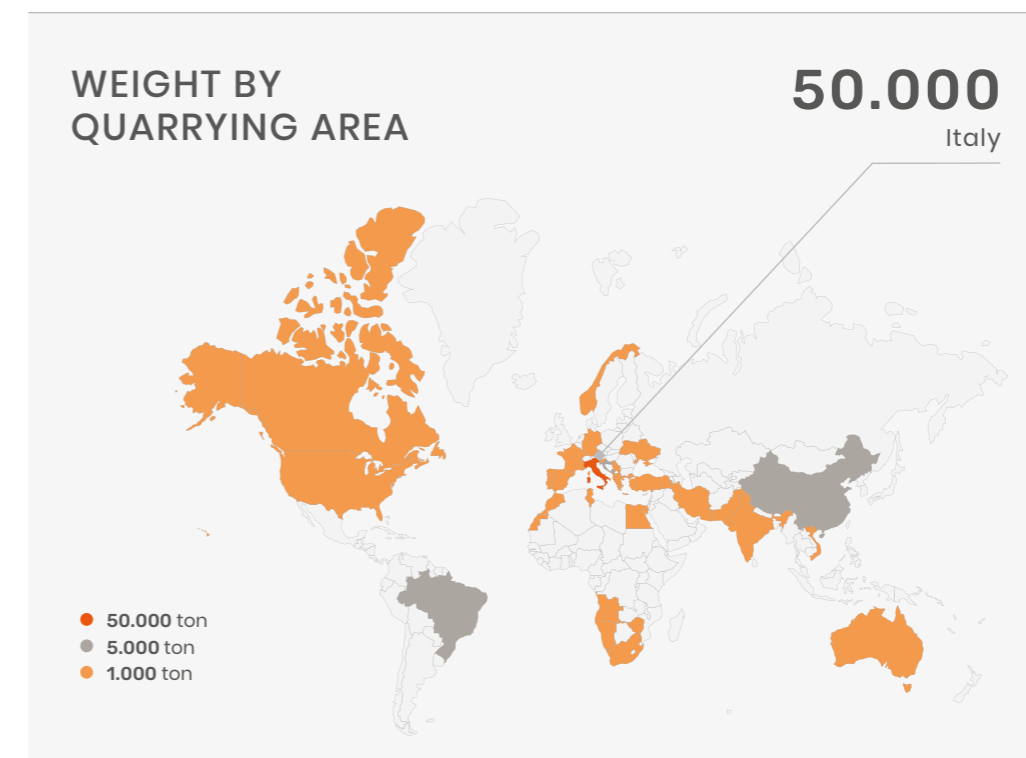
SUPPLIERS

The supplier network plays a pivotal and sensitive role in MARGRAF S.p.A.'s value chain as it is the foundation of the final product's final quality.

The extraction activities are particularly delicate due to the balance required between the territory and raw material. While the extraction process has international dimensions, Italy remains crucial, generating about 80% of the raw materials.

The company's international focus on sourcing quality materials, however, required a risk/impact assessment carried out with international reference tools, and after having explored some of them, the one provided by the Global Risk Profile (GRP - <https://risk-indexes.com/#>) was chosen, as in addition to proposing a cross-cutting analysis of Environment, Social, Governance (ESG) factors, it provides a precise reading for corruption risk, an element that MARGRAF S.p.A. Monitors carefully when choosing who to establish collaborations with.

The different assessment activities are presented in two graphs below, with the first highlighting the different quarrying areas in terms of weight/origin, and the second detailing the different volumes with the weighted average risk, integrated with analysis and verification factors carried out by the company's cross-functional work team.



WEIGHT BY QUARRYING AREA
The different shades of colour in the graph highlight the weight by area of origin in their gradation.

The result represents a moderate risk from the point of view of origin, and above all, looking at quarrying in Italy, it allows the organisation to interact with the various suppliers, thus ensuring active control over these quarrying activities.

Customers

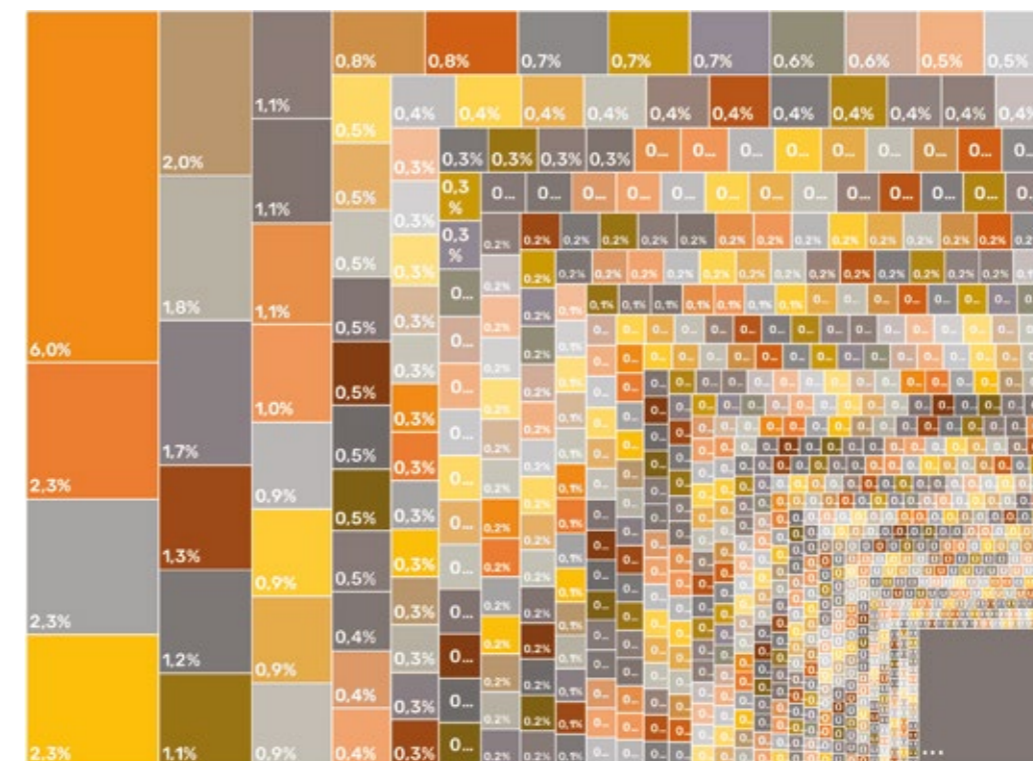
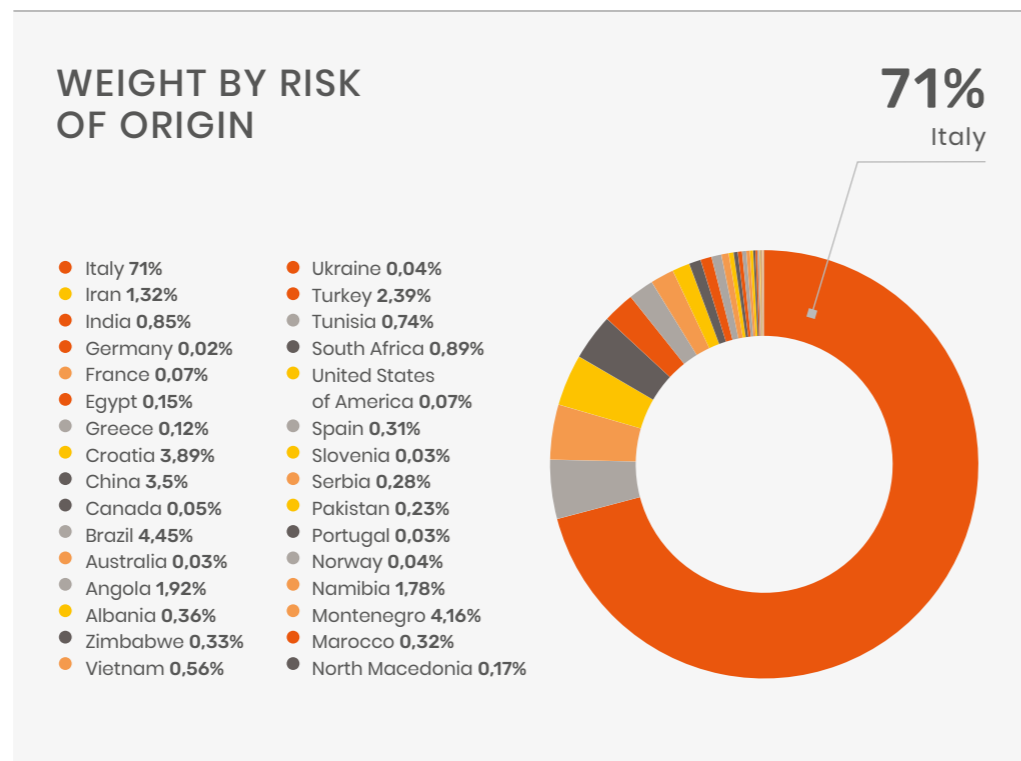
As mentioned, risk weighting, which includes the Environment, Social and Governance (ESG) factors, as well as the more precise weighting provided by the CRI (Global Corruption Index), provides a snapshot showing that international factors have on average a negligible impact, as they account for less than 30% of the total volumes processed by MARGRAF S.p.A.

This aspect can be clearly seen in the graph, which aims to establish a relationship between quarrying volume with the risk of origin, which gives Italy a reclassified value equivalent to over 70% of the quarrying countries showing a low impact factor. These same figures evaluated including the economic impact place the related risks even further downwards.

MARGRAF S.p.A.'s customer network is notably diverse and has been the subject of preliminary analysis within our sustainability-focused working group. An in-depth SWOT analysis was initiated to identify risks and opportunities within the broader scenario under examination.

This analysis sought to intersect economic data with critical issues, as well as proven loyalty trends based on the historical trajectory of relationships. The findings highlighted significant fragmentation, resulting in predominantly medium-to-low risk factors.

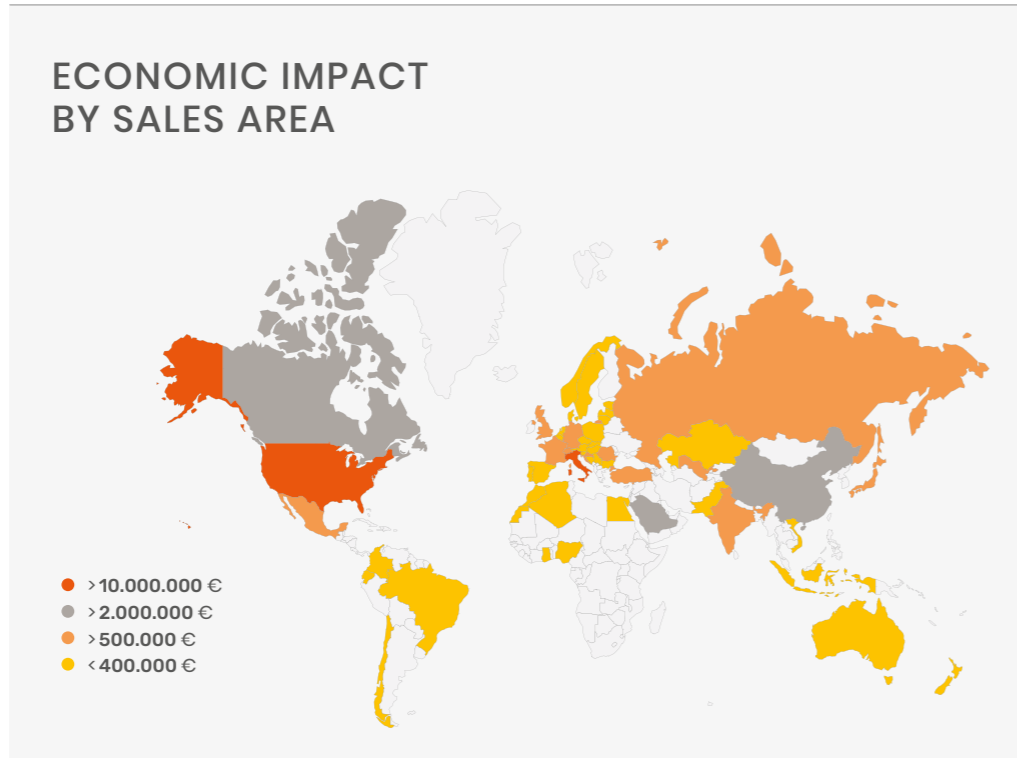
A distinct characteristic of MARGRAF S.p.A.'s clientele is its global representation. Excluding the sub-Saharan region of the African continent, our customers are spread across the globe, attesting to the esteemed reputation the company holds internationally.



In a global context, while on one hand, this diversity can introduce intricacies in management, the lack of concentration on the other hand acts as a safeguard against specific market vulnerabilities. Notably, the most influential customer accounts for just slightly over 6% of the total.

ECONOMIC IMPACT BY SALES AREA

The graph shows the economic impact in the different sales areas, where the shades of colours identify the growing impact based on the value generated. What emerges first and foremost is the marked international standing of the company, with a significant preponderance in countries with low financial risk.



The map shows the values with which the different reference markets are served. In order to obtain further objective information, these checks were supplemented with a quantitative/economic analysis and crossed with various risk factors, which are structured based on the studies of the SACE group (<https://www.sace.it/>), which, among other things, is indicated by the Italian Government to support export models for SMEs and for the implementation of Italy's Green New Deal.

The values under consideration in this case pertained to the categories linked to our various strategic sales channels. These values integrated key risk factors businesses often face in export operations, specifically political, credit, and environmental risks.

Our analysis, based on the SACE model, combined with our internal assessment, has demonstrated that the volumes generated by category do not reveal significant imbalances or particular critical issues. Furthermore, integrated redistribution with the initial two analyses, focusing on sales distribution factors, provides additional confidence against specific uni-directional market risks.

STAKEHOLDERS

Examining our stakeholders, it is evident that their influence is predominantly national, mostly associated with regions where MARGRAF S.p.A. operates its production facilities. These stakeholders are primarily connected to various support activities for the company, such as staff, IT, etc.

A broader extension is generally linked to unique situations in our various markets.

We will delve deeper into this topic shortly, but it is worth noting that the same analysis was applied to regions where the company engages in quarrying activities. In these areas, our relations with Public Administrations are crucial. They play a functional role in devising mitigation strategies focused on community development. This sustainability report lays the groundwork for addressing these issues, establishing a foundation for projects that not only offset quarrying activities but also aim to create a direct impact on society—an area in which MARGRAF S.p.A. wishes to play a leading role.

Furthermore, we are members of two nationally significant industry associations that support our business activities: CONFINDUSTRIA and ASSOMARMI.

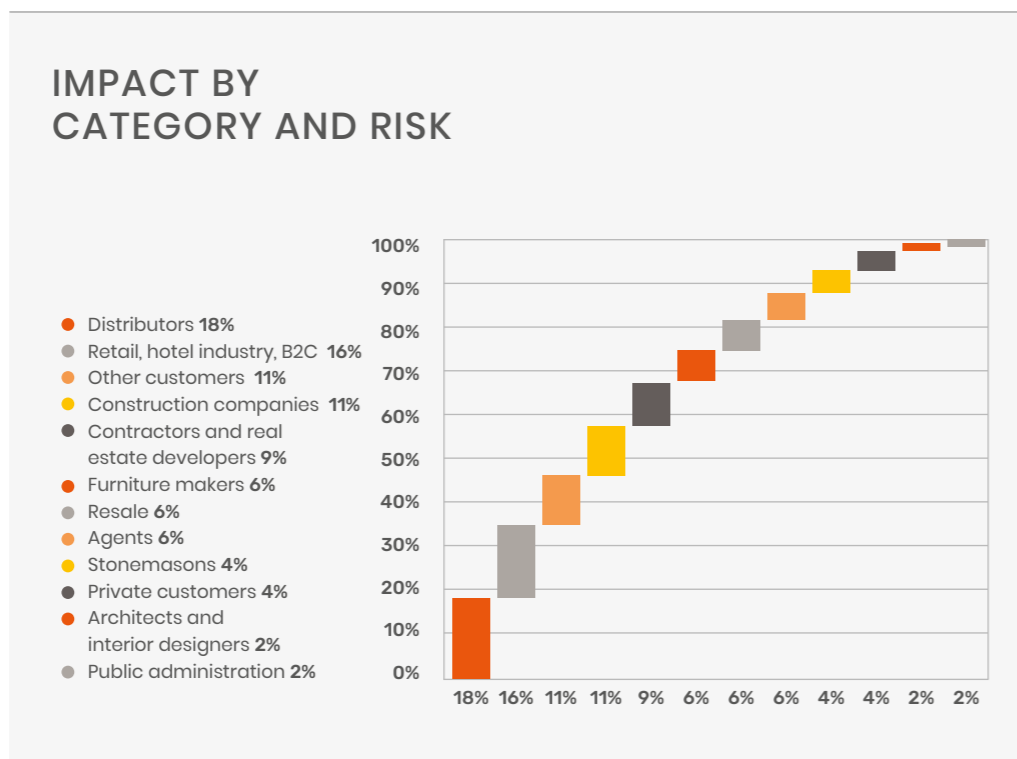
EMPLOYEES

As we will explore in further detail, employees play a pivotal role within the organisation. Although the company is not insulated from market fluctuations—owing to the dense concentration of businesses in the area it operates in, many of which engage in similar production activities—the data suggests good level of company loyalty. This is coupled with an average age that makes the company appealing externally.

The tables below provide a more granular distribution of employees by category and gender. This is computed using the 'Head Count' methodology, which underscores our limited reliance on temporary labour. Further insights into average age and turnover at the company will be shared further below.

CATEGORIES ANALYSED

- Distributors
- Retail
- Hotel Industry
- B2C
- Other customers
- Construction companies
- Contractors
- Furniture makers
- Resale
- Agents
- Stonemasons
- Private Customers
- Architects and Designers
- PA



EMPLOYEE DISTRIBUTION

The high number of male personnel is linked to the specific nature of operations at production sites, which often require staff with significant physical strength.

This trend is balanced out in our offices, where female personnel occupy various company roles.

EMPLOYEES	AVERAGE	WOMEN	MEN
Open-End			
Ausonia	20	2	18
Badia	13	4	9
Chiampo	109	14	95
Gambellara	3	0	3
Full Time - Part Time			
Ausonia	19 - 1	2 - 0	17 - 1
Badia	12 - 1	3 - 1	9 - 0
Chiampo	106 - 3	14 - 0	92 - 3
Gambellara	3 - 0	0 - 0	3 - 0
Fixed-Term			
Ausonia	0	0	0
Badia	0	0	0
Chiampo	4	0	4
Gambellara	1	0	1



AVERAGE AGE
43 years

Another point of interest is the interplay between average age and turnover at the company. Given the distance from retirement correlated with time at the company, it provides a relatively stable outlook for the future, especially with reference to jobs that demand experience that cannot always be found in the market or in the school system.



AVERAGE TIME AT THE COMPANY
9 years

REMUNERATION POLICIES and PROCESS TO DETERMINE REMUNERATION

Our remuneration policies are aligned with market supply and demand. They are always at least in line with the relevant national contract averages, maintaining a balance between skills and fairness.



NATIONALITY
10 at the company

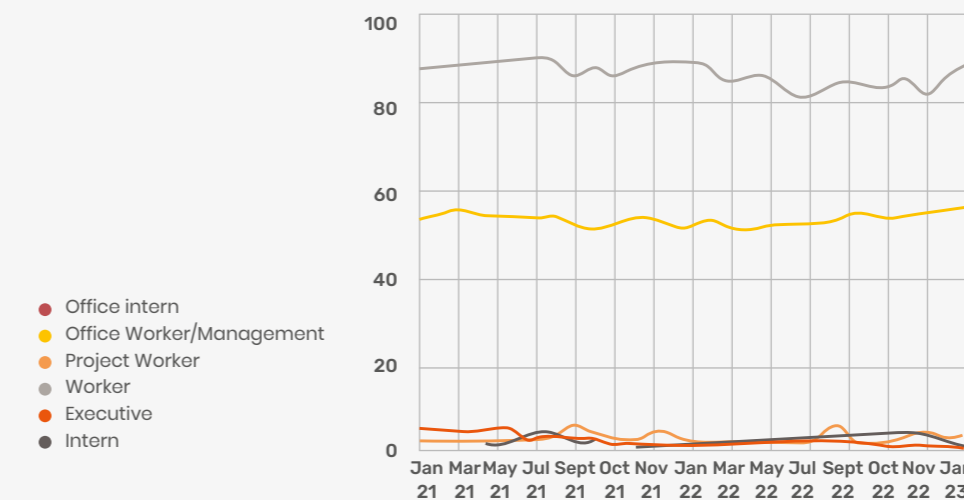
Another significant fact concerns the geographical distribution of our staff, with over 70% of employees residing within 15 Km of the production sites. This strengthens the notion of loyalty (remembering that the main production site is located in a production district hosting numerous companies in the same sector) and allows for a redistribution of added value linked to remuneration that benefits the surrounding communities by generating value for them.

The organisation does not have any remuneration policies directly linked to sustainable development issues. However, it is worth noting that an analysis of investments directed at achieving specific targets is regularly discussed within the Board of Directors.

COLLECTIVE AGREEMENTS

All employees of MARGRAF S.p.A. are fully covered by the CCNL (Italian National Collective Labour Agreement) pertaining to the Stone and Marble Industry.

HEAD COUNT IN FTE BY CATEGORY



HEAD COUNT IN FTE BY CATEGORY

The comparison between the average of the wages paid at MARGRAF S.p.A., broken down by category (office staff and workers), and the average of the wages provided for by the CCNL for the actual grading levels of the employees broken down by grade, shows a positive delta ranging from 13% of workers, +37% for office staff.

Governance

GOVERNANCE STRUCTURE AND COMPOSITION

The Board of Directors (BoD) is the highest governance body of MARGRAF S.p.A., composed of the following administrative figures:

- President, CEO, and Board Member: Xompero Silvio
- CEO and Board Member: Xompero Roberto
- CEO and Board Member: Pieropan Claudio
- CEO and Board Member: Xompero Raffaele
- Board Member: Xompero Alice

The CEOs act as company representatives, with executive control roles over the various company functions.

NOMINATION AND SELECTION OF THE HIGHEST GOVERNANCE BODY

The highest governance body is nominated by the shareholders' meeting. However, the process of ushering in newer generations, with increasing responsibilities across various management roles backed by high-level training and experience outside the company where they have honed international skills, provides the company with further stability for the future.

This sustainability report, whose preparation saw Roberto Xompero play an active role both as board member and as CEO, has provided positive insights into how transparency in cross-cutting issues involving the company's management is maturing positively and constructively.

CHAIR OF THE HIGHEST GOVERNANCE BODY

The chair of the highest governance body is an active part of the company's Board of Directors (BoD).

Although the role is of fundamental importance in the decisions behind company choices, the various collaborations and delegations of even crucial roles, such as that of safety in the workplace, are positive signs that the desire to listen and share is always active in taking the best management decisions.

COMMUNICATION OF CRITICAL CONCERNS

A significant portion of this report was structured around a strategic analysis encompassing various risk factors.

Starting from the stakeholder analysis, through procurement and internal production factors, to the customer network, this process was enhanced through brainstorming sessions conducted by a cross-functional team and supported by data from internationally recognised databases.

The findings of this analysis led to both quantitative and qualitative reflections. Further insights related to these findings will be discussed in the annex to the Sustainability Report, which aims to provide readers with comprehensive disclosure of the company's governance structure and its approach to these issues.

ROLE OF THE HIGHEST GOVERNANCE BODY IN OVERSEEING THE MANAGEMENT OF IMPACTS

The highest governance body took the responsibility of drafting this sustainability report even in the absence of a statutory requirement for the company. This underscores a clear indication of the values that drive the company's entrepreneurial decisions.

Roberto Xompero's involvement in the team working on sustainability issues further underscores the company's dedication in this regard.

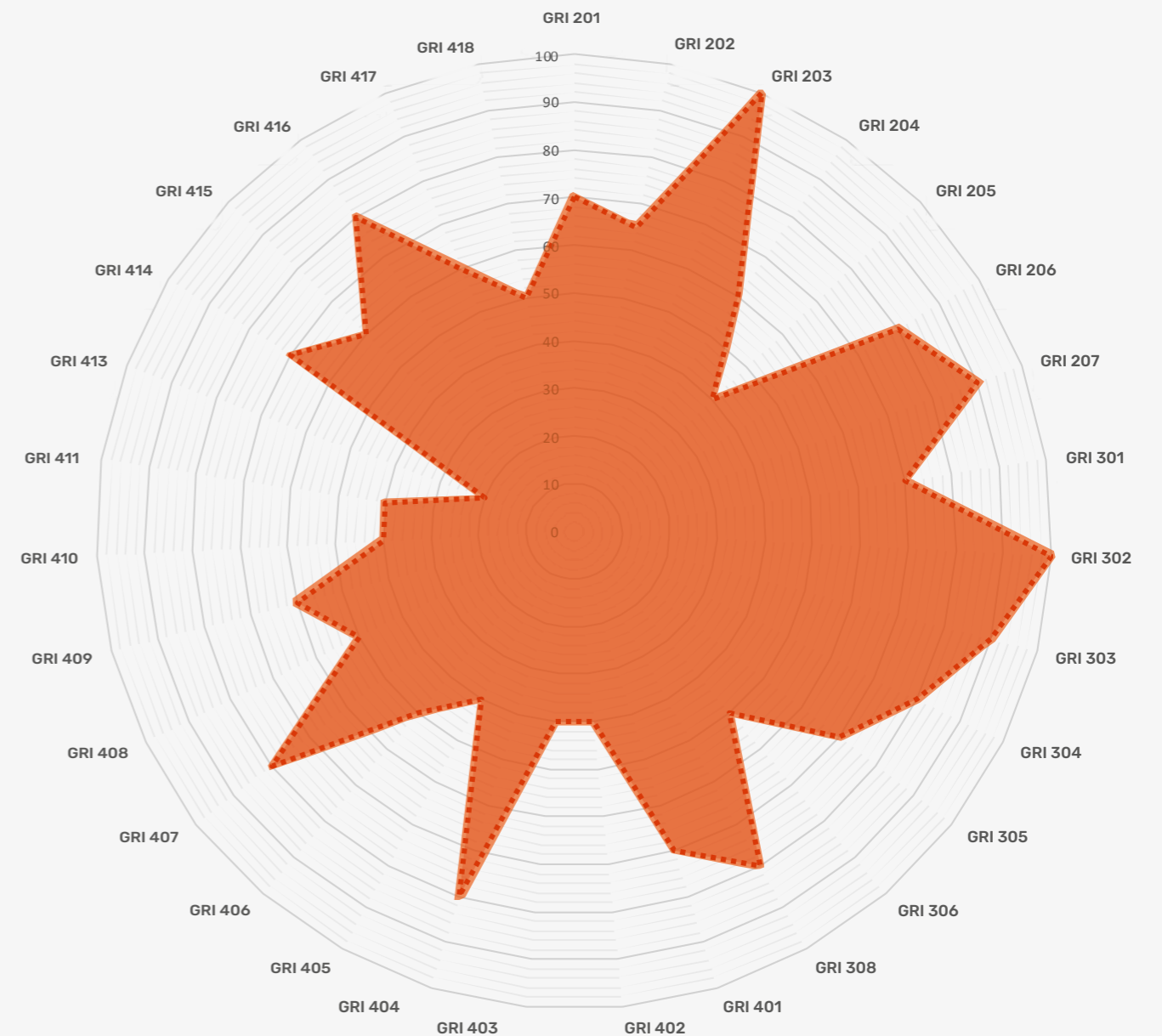
The multi-functional team took an analytical approach to sustainability, following the GRI framework to pinpoint significant areas of concern for the company in the economic, social, and environmental sectors.

The internal analysis traced the various impacts that could arise from company operations, taking a cue from Michael Porter's value chain model adapted for MARGRAF S.p.A.

The results of this analysis, detailing various significant factors that influence the organization's internal centre, will be presented below:

As part of this process, a number of stakeholders were engaged, offering their perspectives on the most relevant sustainability issues for the company.

INTERNAL RISK ANALYSIS
Crossing the responses, we visually represented the results in the Materiality Matrix, which is illustrated below and has been validated by the BoD to chart the path forward on development issues.



Materiality Matrix and Material Topics

CONSTRUCTION OF THE MATERIALITY MATRIX

The process of designing the Materiality Matrix and identifying material topics was carried out among external stakeholders through a survey. This survey covered three areas: economic, environmental, and social, exploring various issues with questions rooted in the Global Reporting Initiative (GRI) guidelines.

The internal analysis adopted a meticulous approach, focusing on the value flow as defined by Michael Porter's models, adapted to the company's unique characteristics. This analysis was further assessed based on a risk/impact value related to the areas covered by the GRI framework.

The graph below was obtained by crossing these assessments.

This analysis returned the following topics, resulting from the analysis process described, and are proposed again with a numerical prefix to connect them to the more specific ones of the GRI, although they cannot be strictly correlated to them:

- Analysis of economic performances linked to environmental policies
- Investments made by the company to mitigate environmental and social risks
- Anti-corruption policies
- Procurement of materials, whether recycled or used by weight or volume
- Policy detailing energy consumption sources and uses
- Water management
- Tracking of air emissions
- Waste-related impacts
- Supply chain monitoring, analysis and engagement
- Occupational health and safety management procedures
- Training-related policies implemented by the organisation
- Disclosures on product labelling or quality certifications

These topics will be further examined in the Annex to the Sustainability Report and complement the General Disclosures, providing a comprehensive picture of the company's strategic and risk landscape in the economic, environmental, and social areas.

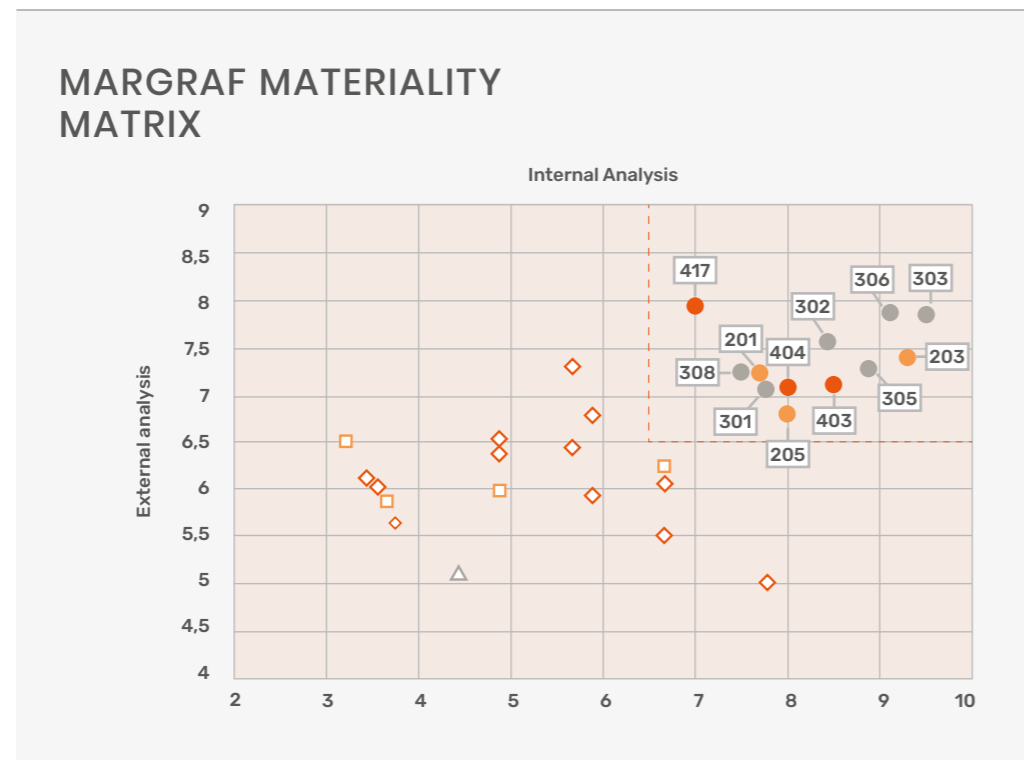
Any omissions in this first publication will be explored in future reports or explained in their exclusions.

APPROACH TO STAKEHOLDER ENGAGEMENT

MARGRAF S.p.A.'s stakeholder engagement pathway began with the formation of an internal cross-functional team, which has a broad understanding of all entities and individuals interacting with or experiencing the company's reality.

To understand the identification and engagement process of these stakeholders, the team was first duly trained on the topics constituting sustainability report before initiating the development process as described below.

MATERIALITY MATRIX
The responses, resulting from a weighted assessment on a scale of 1-10, highlighted the importance of each of around 30 proposed topics. Over 70 questionnaires were collected and used to construct the materiality matrix to identify various material topics.



Strategy

Identification process:

- Brainstorming to analyse and distinguish between: Important/Strategic, Important/To be expanded, Supportive and Helpful, Not very influential
- Collection of company revenue and economic impact data and their breakdown
- Geolocation and crossing with sustainability risk maps
- Identification of other related risks, such as loyalty, stability, volume, etc.
- Classification considering various parameters

This process not only aided in their identification but also provided strategic insight for the company.

The chosen mode of engagement for starting the sustainability path involved launching a survey based on the GRI's material topics, conducted directly or through the website. This revealed their perception of the company in the three areas, i.e., economic, environmental, and social.

The results facilitated the identification of material topics from various perspectives, which were then correlated with the internal analysis in the Materiality Matrix.

POLICY COMMITMENTS

Over time, MARGRAF S.p.A. has adopted its own internal codes of conduct, which can be found in the following documents with the various formal steps that have been taken or are in progress:

- Internal Regulations
- Integrated Management Systems Manual (a guide for company management focusing on customer satisfaction, environmental protection, and occupational safety)
- ISO 9001 certification
- ISO 14001 certification

In addition, we have received specific assessments from several globally significant customers who place high emphasis on sustainability and quality topics, viewing our company as an essential business partner.

Complementing the aforementioned documents, the Code of Ethics and Disciplinary System (Organisational, Management, and Control Model under Italian Legislative Decree 231/2001) are currently under development.

The aforementioned provides clear proof of the organisation's commitment to proactive governance that exceeds mere regulatory compliance, ensuring a robust layer of security for stakeholders both inside and outside the organisation.

These documents are timely shared with our employees and are accessible via the company's website even by those not actively engaged in the company's day-to-day operations.

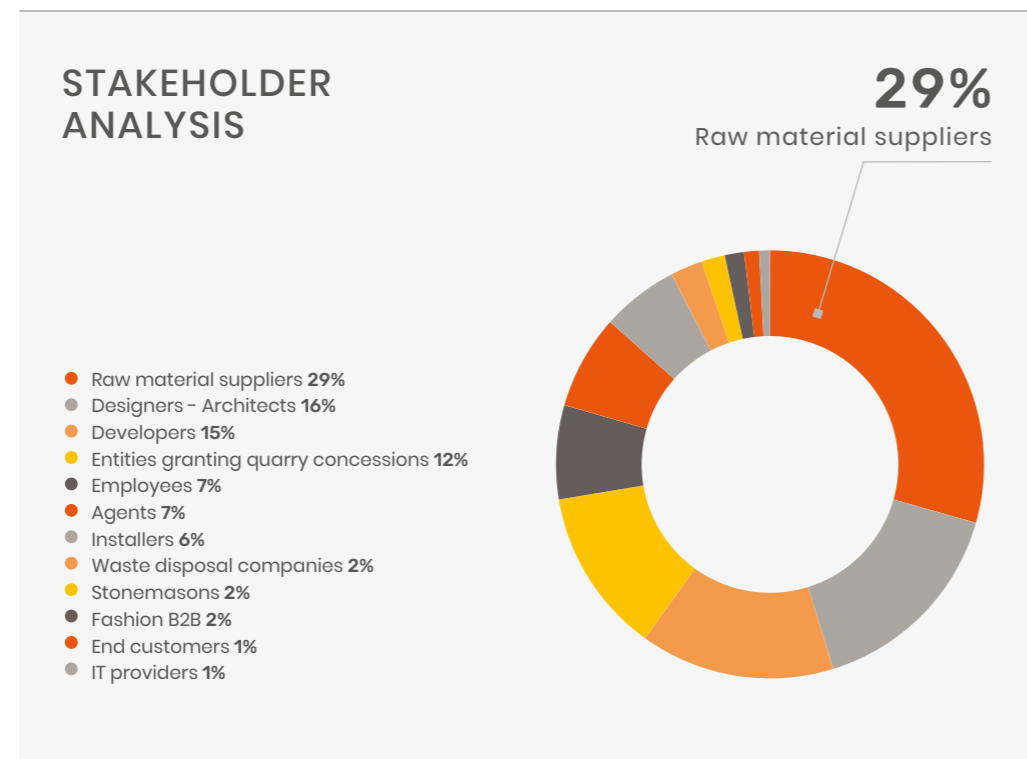
PROCESSES TO REMEDIATE NEGATIVE IMPACTS

Our sustainability report has highlighted several material topics that the organisation wishes to focus on.

We are set on structuring a response that aligns with the 'Do No Significant Harm' (DNSH) criteria set out in European regulations.

For the detailed commitments of the organisation in this regard, please refer to the ANNEX to this document where these topics are further expanded.

STAKEHOLDER ANALYSIS
The macro-areas to which stakeholders belong span 14 categories. A graph below illustrates their strategic breakdown with associated impacts, considering the risk correlated with economic values.



COMPLIANCE WITH LAWS AND REGULATIONS

Our operations comply with regulatory processes governing labour and stakeholder relations.

The voluntary implementation of codes of conduct demonstrates our company's intent to not only mitigate but also protect itself from potential behaviours that might jeopardise it vis-à-vis third parties.

MEMBERSHIP ASSOCIATIONS

MARGRAF S.p.A. is a member of specific industry consortia focused on ensuring safety and simplifying waste disposal procedures.

These are consortia established in collaboration with CONFINDUSTRIA, and in particular COTRIM in the Vicenza area and the Consorzio Marmisti Valpantena in the Verona area.

Membership not only streamlines certain procedures that, due to their highly specialised nature, might not align perfectly with our core operations but also mitigates risk. This offers opportunities in terms of waste management, as consortium dynamics aim at ensuring safety and spearheading projects for material reuse.

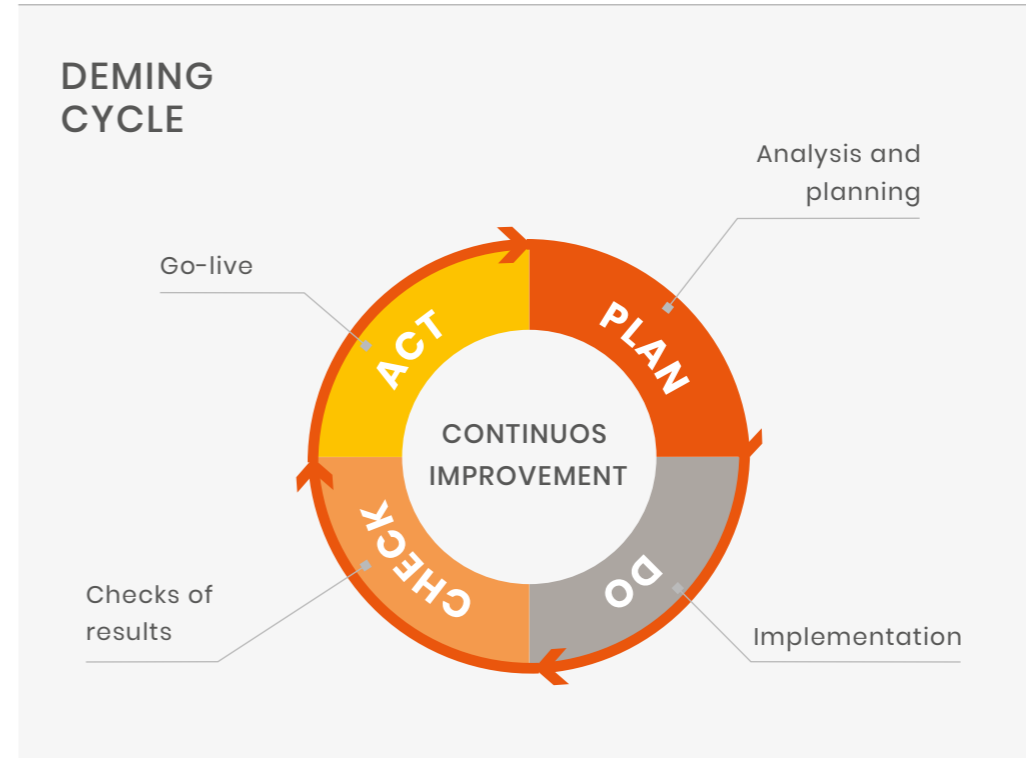
Annex to the sustainability report

Development of material topics

The analysis of the company's processes, examined across the economic, environmental, and social dimensions, directly involved the dedicated internal cross-functional sustainability team and stakeholders contributing to the company's operations.

The material topics are therefore addressed and analysed in this document, following a methodology consistent with Project Management principles.

The oversight and development of any projects will be entrusted to designated individuals, who will be responsible for carrying them out, regularly reporting on the stages of their completion, to ensure they achieve their intended objectives.



CONTINUOUS IMPROVEMENT
The projects in their development will follow the Deming cycle, according to the PDCA (Plan, Do, Check, Act) practice, which will allow for tracing throughout their course.

This model, when applied, should enable a balanced quantitative-qualitative tracking, in line with regulatory requirements. It aligns with the General Disclosure guidelines, adhering to principles that ensure information is clear, relevant, verifiable, comparable, and accurately represented.

ECONOMIC PERFORMANCE ANALYSIS IN RELATION TO ENVIRONMENTAL POLICIES AND COMPANY INVESTMENTS TO MITIGATE ENVIRONMENTAL AND SOCIAL RISKS

Making investments that counter climate change presupposes a financial statement that allows for such commitments. This basis finds MARGRAF S.p.A. not only robust but also attentive to redistributing the added value it generates.

Positive financial and economic values are indeed foundational to the company's ongoing investments, driving continuous improvement aimed at mitigating or even pre-empting market risks.

In 2022, MARGRAF S.p.A. recorded a substantial increase in production and sales volumes, with an overall growth of 24.2% compared to 2021. Specifically, increases were recorded in both the domestic market (+26.1%) and exports (+38.7%).

The rise in raw material consumption costs and production costs was marginally lower, resulting in a slight uptick in gross income, moving from 24.1% in 2021 to 24.6% in 2022.

SUSTAINABLE DEVELOPMENT GOALS
N. 1 - 3 - 5 - 8 - 9 - 11 - 13
(See page 38)

The compensation of some write-downs of equity interests was counterbalanced by positive extraordinary items, as well as by financial income, thus aligning total value added with the value added from ordinary operations.

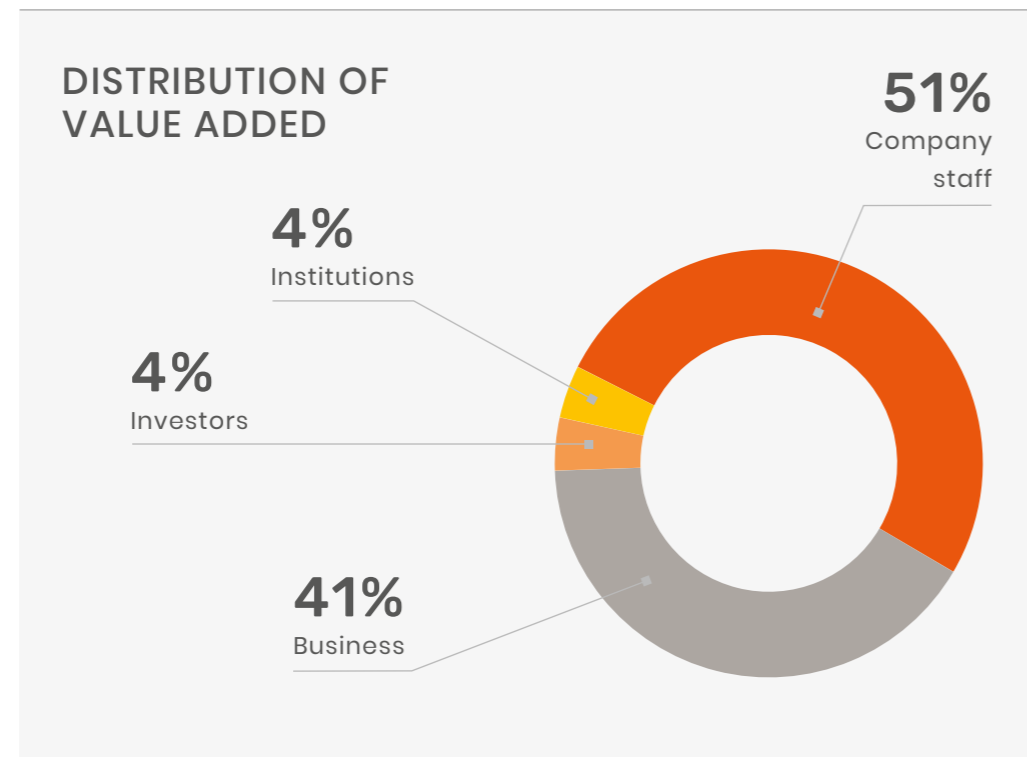
In absolute terms, the value added generated by MARGRAF S.p.A. rose from over €12.3 million in 2021 to over €14.7 million in 2022, an increase exceeding 19%.

A significant factor relates to the company's investments in its facilities, which contribute to updating machinery and equipment with technologies that enhance efficiency and cost-effectiveness, while also reducing environmental impact.

DISTRIBUTION OF VALUE ADDED

The model offers a more structured overview, which contemplates a system aimed at generating growth and prosperity, effectively making the company more solid as well as resilient to climate change.

Approximately 51% of the value added in 2022 went to staff, while another significant portion of around 41% was put back into the company, in order to fund investments and growth. The remaining portion was evenly distributed between investors and public institutions.



Related to the mitigation of impacts, the investment that MARGRAF S.p.A. has made in the new water treatment plant is of particular interest, as it aims to preserve water as well as returning it to the managing body better than in the past.



Additionally, an emphasis should be placed on prevention measures, as the company has secured insurance to safeguard against potential environmental damage from unforeseen incidents or extraordinary weather risks. This provides additional complementary financial stability, supplementing technological investments and further strengthening the company's position.

It is paramount to underline the value added allocated to employees. When considering the proximity of residence to the workplace (over 70% live within 15 km of the company), it has beneficial effects on the local community within which the company operates, driving tangible redistributive growth.

Additional services include access to an internal gym, partnerships with local entities and facilities offering discounts for meals or services, effectively redistributing value not just among employees but also to complementary stakeholders involved in the company's operations.



Among the various benefits, it is worth mentioning the agreement with the Al-tea fund, offering a preventive and supplementary health care plan. This effectively translates into fully subsidised specialised services aimed at preserving individual health and well-being.

Despite a challenging international economic landscape, these investments underscore a clear intent to look to the future with optimism, with the aim of implementing actions that anticipate emerging challenges.

The sustainability report provides a snapshot that will guide such endeavours, as the just-discussed financial figures illustrate how the organisation addresses economic, environmental, and social topics in an integrated manner.

ANTI-CORRUPTION POLICIES

MARGRAF S.p.A.'s leadership is committed to addressing and mitigating any instances that could be construed as corrupt practices. Therefore, clear guidelines have been issued, and a pathway has been commenced to establish a Code of Ethics, integrated with an Organisational, Management and Control Model as per Italian Legislative Decree 231/2001.

In the implementation process, a risk assessment was carried out, which entailed a value mapping of internal company processes, highlighting the potential risks and impact each area could generate.

Due to the nature of the company's activities, raw material procurement and sales areas were perceived as potentially at risk, without giving rise though to particular concerns when viewed in light of the company's historical records.



SUSTAINABLE DEVELOPMENT GOAL N. 16 (See page 38)

SUSTAINABLE
DEVELOPMENT GOALS
N. 8 - 12
(See page 38)

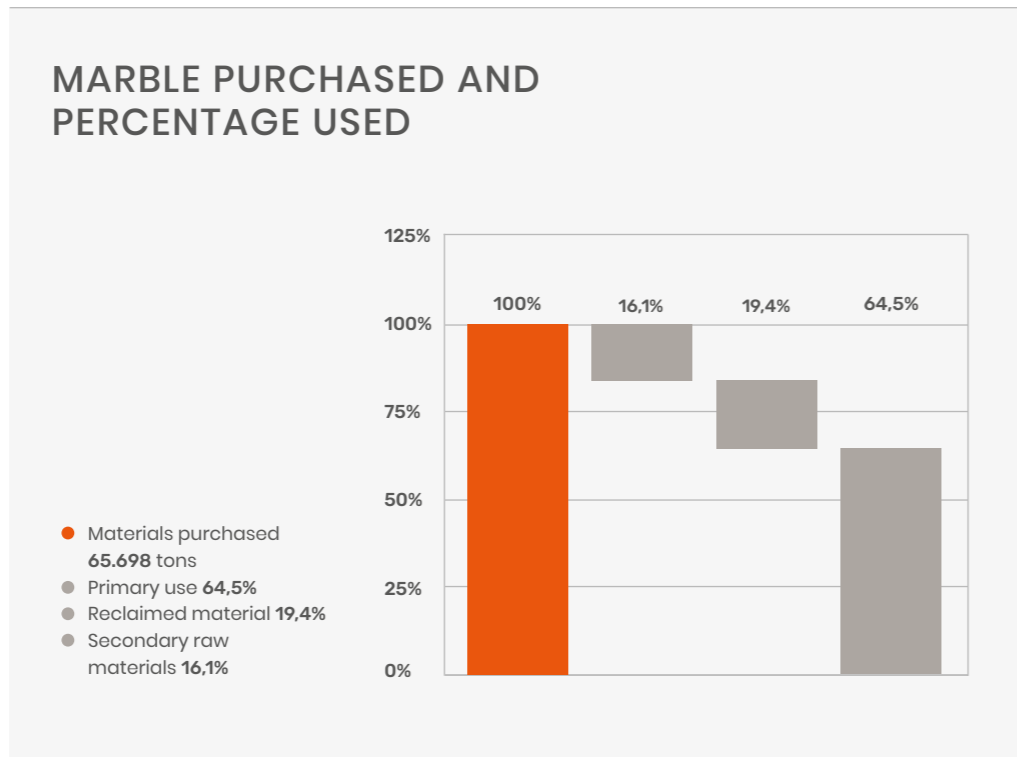
ASPECTS CONCERNING THE PROCUREMENT OF MATERIALS AND RECYCLED OR REUSED MATERIALS

The raw materials employed by MARGRAF S.p.A. in its production processes are an embodiment of beauty for end users, as they resonate with the rich history and intrinsic qualities of the quarrying site.

We have a duty to pursue a constant balance, paired with a commitment to optimised utilisation. As illustrated in the graph below, an increasingly proactive effort to improve efficiency is an intrinsic aspect of the corporate process.

NO WASTE

The production processes are geared towards making the most of materials, enabling almost all raw materials to be reused for other purposes. This gives a 100% usage rate, with no manufacturing waste. Although these materials might not be transformed for primary activities, in a perspective of full reuse, initiatives have been launched where marble fragments are recycled for other projects, serving as ancillary and reclaimed raw materials.



A separate issue is the analysis of packaging materials, which has identified three primary macro-components: wood, polystyrene and polyethylene.

The analysis aimed to understand the volumes and sources. For the former, MARGRAF S.p.A. sought to establish currently non-structured parameter, while for the latter, the objective was to examine the supply chain and their corporate sustainability policies.

This analysis highlighted that several suppliers have sustainability policies in place, but the aim for the future is to actively engage with the entire supply chain, ensuring transparency and structured application of these policies.

POLICY DETAILING ENERGY CONSUMPTION SOURCES AND USES

In a paradigm of good corporate governance, energy remains a pivotal topic, as it offers insights into market trends, especially in terms of costs.

In this perspective, monitoring and investment activities are in place, which, without prejudice to extraordinary circumstances such as those experienced in recent years, allow us to anticipate fluctuations that could have a significant impact on production values.

In this regard, an always active control of consumption has led to choices which over time have translated into investments to provide all MARGRAF S.p.A. production facilities with solar power installations for electricity generation.

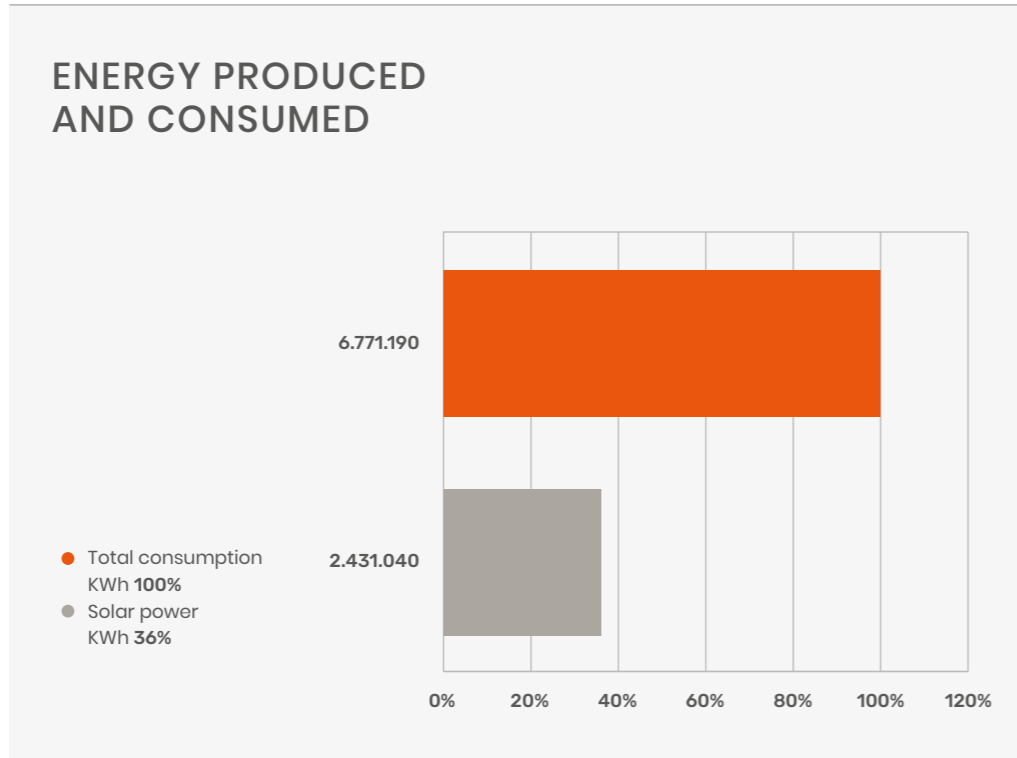


SUSTAINABLE
DEVELOPMENT GOALS
N. 7 - 8 - 12 - 13
(See page 38)

ENERGY PRODUCED & CONSUMED

These figures translate into 9,900 photovoltaic panels installed at the various sites, which have a supply capacity of over 2 MW to cover the various energy needs of production.

As can be seen from the graph below, over a third of the energy used is produced by solar panels installed at the various facilities.



In particular, the recent surges in the cost of energy, which have put many production companies at risk, have been significantly mitigated by these photovoltaic systems, protecting the company from the increases that would have been reflected in the market.

With the solar panels installed, the following mitigations have been estimated:



CO₂ emissions of 728,420 kg/year were not produced



These emissions would have required 50,000 trees to absorb the CO₂ produced



In addition to the trees, these equate to the energy produced by 1,743 barrels of oil

Besides these figures, a primary goal of the company is to pursue of energy efficiency. As demonstrated recently, this not only offers a competitive edge by safeguarding against uncontrollable market fluctuations but is part of the continuous improvement process, which is further bolstered by the company's commitment to environmental mitigation policies.

WATER MANAGEMENT

Water management is of paramount importance to MARGRAF S.p.A., as it plays a crucial role in marble processing.

Over time, the company has introduced policies to reduce water consumption, anticipating more recent water crises.

To recover and reuse water essential for various processing activities, all MARGRAF S.p.A. production sites have installed specific purification systems, powered by energy from solar panels, which filter approximately 183,000 m³ of water annually. This water is collected, purified from stone particles, and reused for subsequent processing.



SUSTAINABLE DEVELOPMENT GOALS
N. 6 - 12
(See page 38)

During 2022, the new purification system went into operation at the Chiampo Headquarters, replacing the old one which was no longer performing, further optimising water reuse in production processes as well as the quality of the water discharged.

Another significant investment focused on optimising sanitary utilities by segregating water sources.

The cumulative figures across all production sites are as follows:

- Water drawn from wells: 85,440 m³
- Water recycled through in-house purification systems: 66,000 m³, i.e., over 77% of the water drawn.



SUSTAINABLE DEVELOPMENT GOALS
N. 3 - 12 - 13 - 14 - 15
(See page 38)

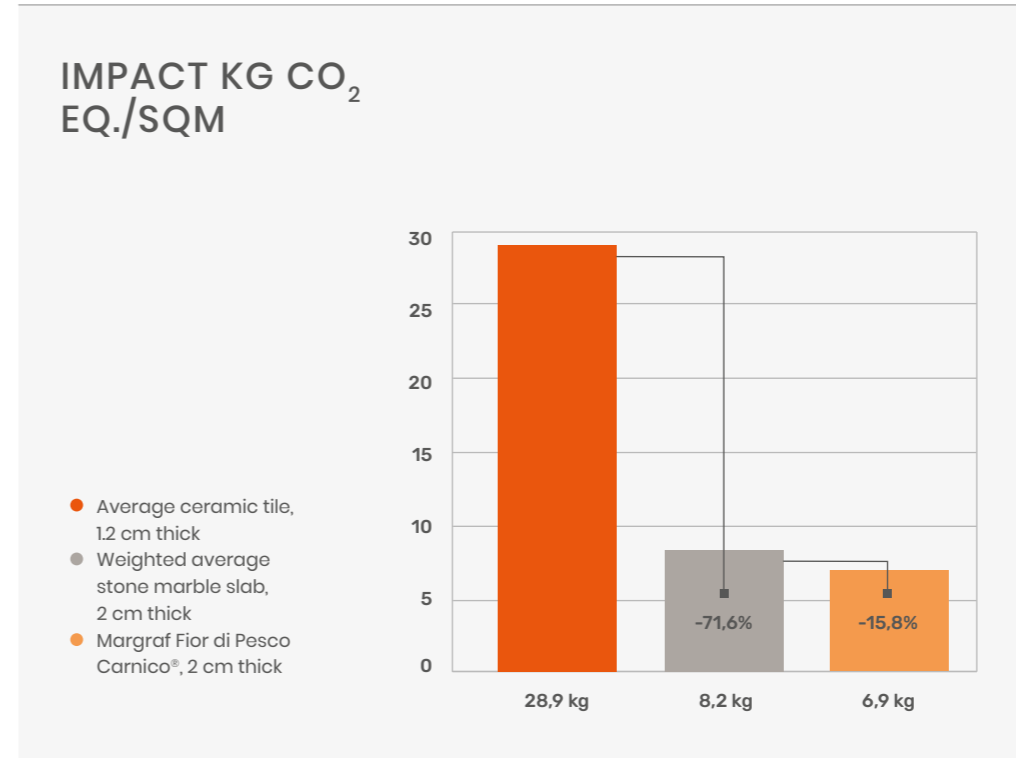
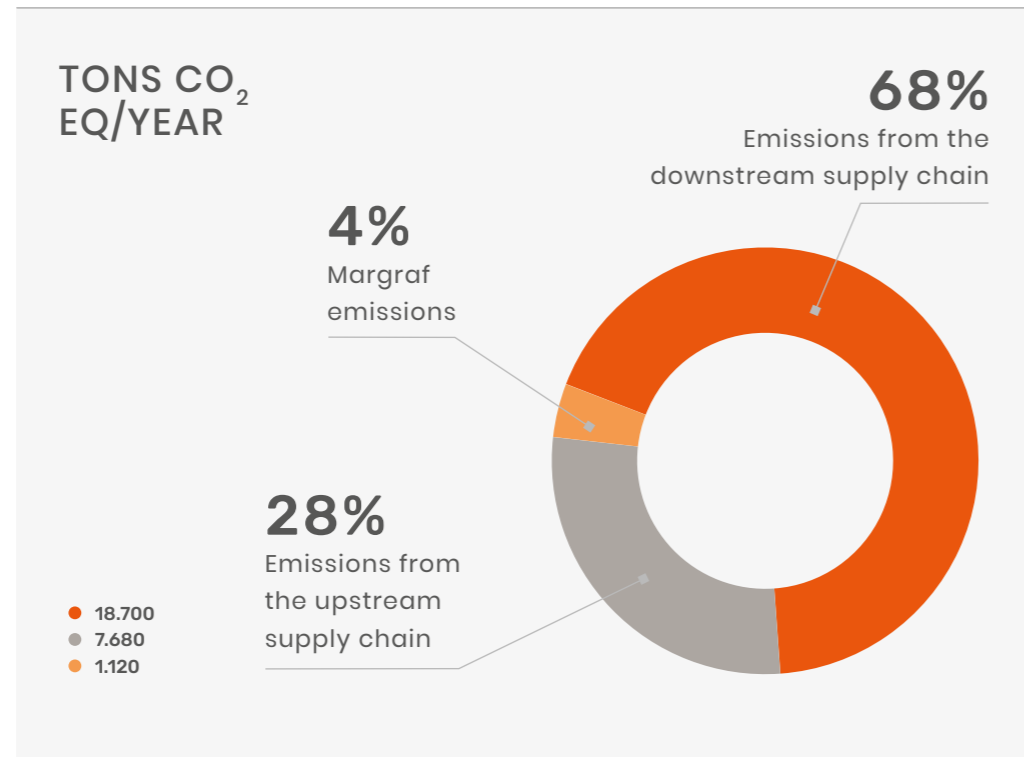
TRACKING OF AIR EMISSIONS

MARGRAF S.p.A. has conducted a precise assessment of its impact on air emissions by commissioning a Carbon Footprint study to analyse the carbon emissions across the entire life cycle.

Emissions reporting was carried out in accordance with the international standard UNI EN ISO 14064-1:2019 (Greenhouse gases – Part 1: Specification for the quantification, monitoring and reporting of project emissions and removals). This standard outlines the requirements for the design and development of greenhouse gas inventories for organisations. It is worth mentioning that this standard takes into account emissions in three different areas, corresponding to Scope 1, 2, and 3 in relation to greenhouse gases (GHG).



TON CO₂ EQ/YEAR
The analysis showed that the internal organisation impacts of MARGRAF S.p.A. (Scope 1) are marginal, accounting for about 4% of total emissions.



IMPACT KG CO₂ EQ./SQM
The data derived from the analysis was also cross-referenced and detailed for the total 599.168 sqm of marble slabs produced by MARGRAF S.p.A., thus including the organisation's total quarrying activities plus its emissions. The results indicate an impact below the industry average and around 50% of that of the ceramic industry, based on an LCA study conducted by the Turin Polytechnic.

Using the LCA (Life Cycle Assessment) methodology in line with standard ISO 14040 (series) and in accordance with the guidelines indicated by the European Commission, the Turin Polytechnic examined the available scientific literature for 12 materials (marbles, breccias, granites, etc.) quarried and processed in Italy from various geographical areas. This study was then used to make comparisons, which gave the following results.

The Fior di Pesco Carnico® quarried by MARGRAF S.p.A. (which accounts for over 7% of the materials managed, making it a significant benchmark) was among the materials analysed. Its impact was below the industry average by over 15%, with an emission impact of 6.9 Kg of CO₂ equivalent/sqm. over 75% lower when compared to ceramic tiles.

As previously mentioned, the positive actions introduced by the company highlight the need for more proactive interaction with the upstream and downstream supply chains, as corroborated by the figures below.



However, this does not deter the company from its continuous investments on mitigating in-house emissions. A significant initiative in this regard was the replacement of one of the processing chimneys, which will help to further manage emission factors.

SUSTAINABLE DEVELOPMENT GOALS
N. 3 - 6 - 8 - 11 - 12 - 15
(See page 38)

WASTE-RELATED IMPACTS

MARGRAF S.p.A. places a strong emphasis on waste management aspects. This focus has led the company to join several industry consortia aimed at recovering and recycling waste where possible.

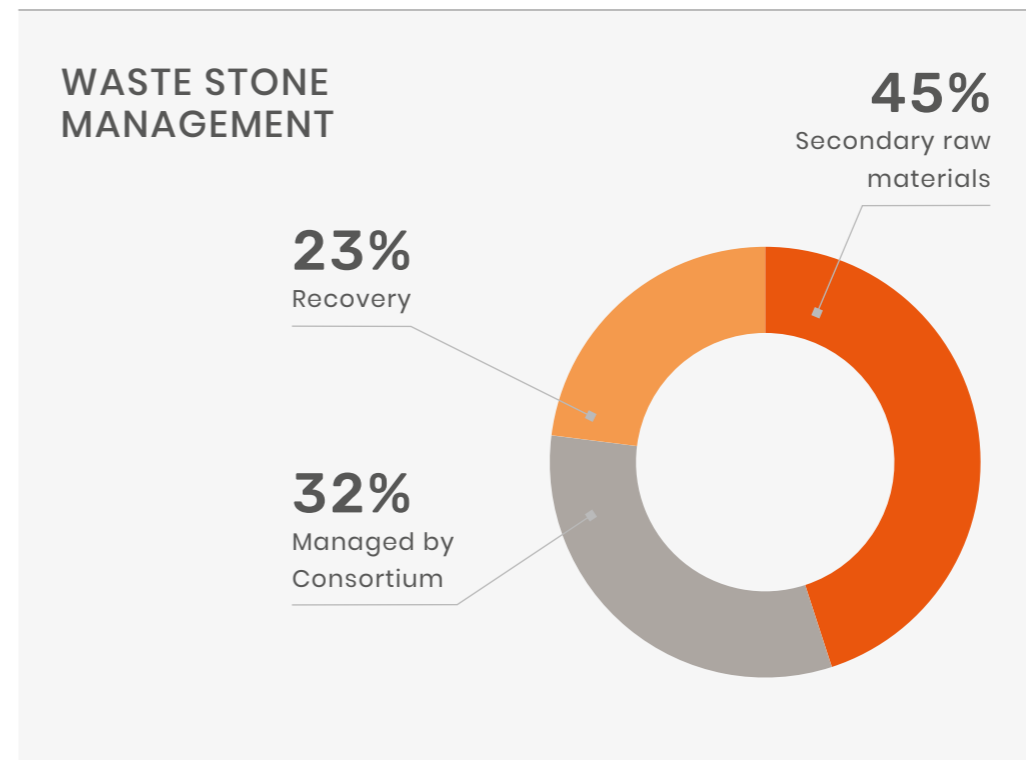
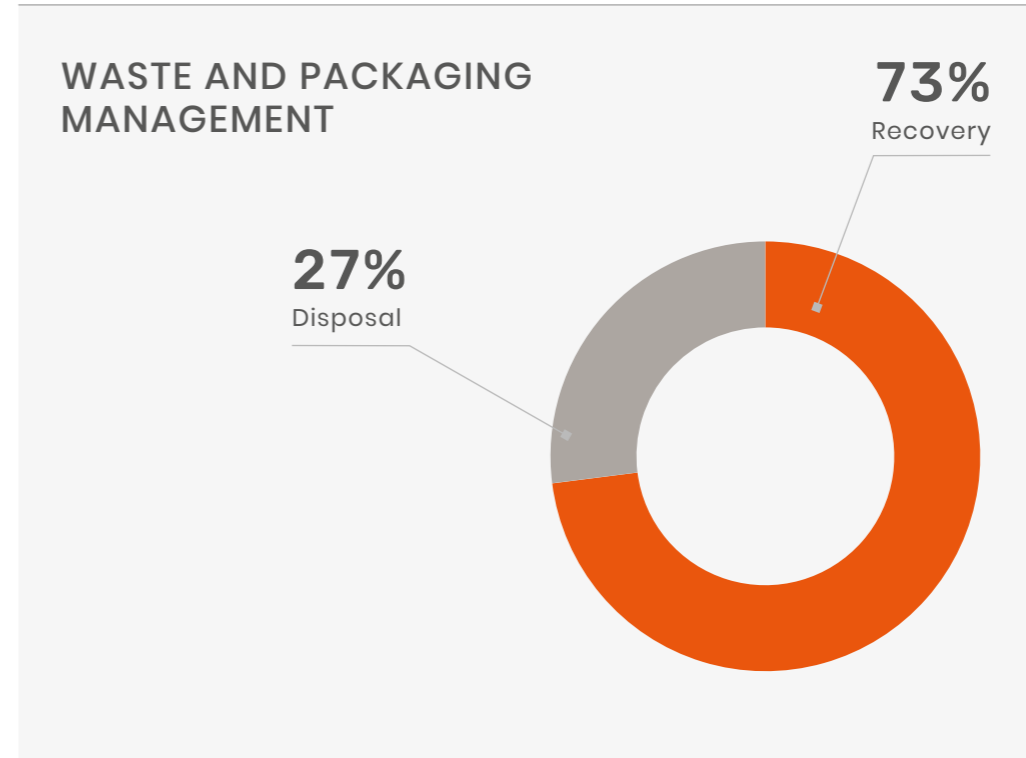
Particular attention must be given to the CO.TRIM. consortium (Consortium for the Treatment of Marble Industry Effluents). By exerting additional control in the waste disposal chain, it manages what could essentially be considered waste, repurposing it for land-based treatment for the benefit of agriculture or ecology.



In addition to production waste, there are other types of waste categorised according to the EWC codes, as detailed in the environmental declaration forms (MUD). Within its organisation, MARGRAF S.p.A. is implementing control policies aimed at reducing or, where not feasible, reusing materials no longer suitable for production processes.

WASTE MATERIALS
As mentioned in the management of materials, almost all of the raw material waste is actually reused in other sectors, implementing an always active control that goes well beyond what is required by current legislation, with the consortium partners acting as guarantors of the good quality of their management.

		Sites Total Kg
STONE	Secondary Raw Materials	10.563.780
STONE	Recovery	5.391.370
STONE	Managed by Consortium	7.365.771
PACKAGING	Recovery	66.454
PACKAGING	Disposal	0
OTHER WASTE	Recovery	45.955
OTHER WASTE	Disposal	41.144



SUSTAINABLE
DEVELOPMENT GOAL
N. 3
(See page 38)

SUPPLY CHAIN MONITORING, ANALYSIS AND ENGAGEMENT

As seen in our stakeholder analysis, the supply chain emerges as a strategic asset for the company, becoming even more crucial when viewed through the lens of corporate sustainability.

From this perspective, supplier selection and engagement begins with dedicated surveys as a primary interface tool, providing a value/technical framework for mutual exchange, subsequently fostering various levels of interaction based on collaboration.

Amongst the assessments carried out by the organisation, specific checks on acquired certifications, quality systems, governance methods and personnel are carried out, with an aim to review these on an annual basis.

- Companies currently involved: 400
- Rated positively: 351
- Not qualified: 26
- Suspended: 1
- Pending assessment: 22



This sustainability report presented an opportunity to expand and delve deeper into the Environmental, Social, Governance (ESG) policies applied by stakeholders, reintroducing a dedicated survey in a renewed format, confirming a transparent and inclusive loyalty approach.

In the future, MARGRAF S.p.A. intends to expand its development channels, more meticulously evaluating different performances, with the aim of pursuing consistent and structured growth.

These are prerequisite activities for a continuous improvement process aiming for increasingly sustainable development.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT PROCEDURES

Concerning workplace safety, the company is on an evolving trajectory, committed to following the directives of the Board of Directors as expressed in the Integrated Management Systems Manual.

In this regard, in order specifically focus on these topics, since 2022 MARGRAF S.p.A. has adopted, for example, a renewed organisational structure, which will have among its tasks that of completing ISO 45000 certification.

OVER TIME, THE COMPANY HAS PROVIDED FOR:

- Interference Risk Assessment Document - DVR
- Insurance coverage for all
- Training and regular updates for all employees according to current regulatory requirements to prevent and mitigate workplace accident risks as much as possible.

Employee engagement on health and safety issues is timely, with specific communications when there are notifications requiring their direct involvement.

Similarly, health promotion among employees is ongoing, as fostering a culture prioritising both mental and physical well-being is paramount. This is facilitated through posters or dedicated meetings when specific needs arise.

Beyond internal considerations, there is a focus on external output. Besides qualitative controls, the produced materials comply with the standard UNI EN 1341, which encompasses, among other things, a macroscopic description of the rock and slip resistance.

As previously mentioned, MARGRAF S.p.A. is set on achieving ISO 45000 certification, which would provide an integrated occupational health and safety management system, further affirming the company's commitment to continuous improvement on these matters.

Workplace accidents recorded in 2022: 5, with an incidence rate of 3.57% based on the hours of the involved personnel.

SUSTAINABLE
DEVELOPMENT GOALS
N. 3 - 8 - 16
(See page 38)



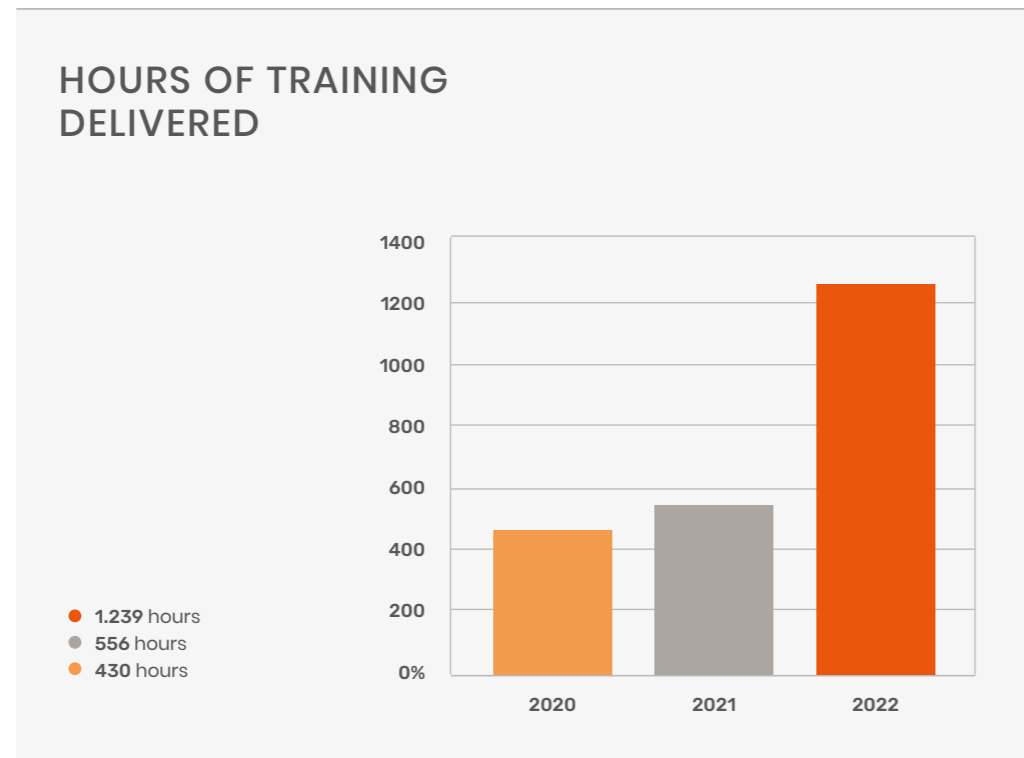
SUSTAINABLE DEVELOPMENT GOALS N. 5 - 8 - 10 (See page 38)

TRAINING-RELATED POLICIES IMPLEMENTED BY THE ORGANISATION

Without skills development, company growth is challenging. This is a summary of MARGRAF S.p.A.'s approach to people's further development.

The introduction of a dedicated HR role in 2022 reaffirmed the company's intent to have structured coordination for human resource management, yielding training benefits as well.

HOURS OF TRAINING DELIVERED
The plan sees mandatory training being complemented by training to promote growth among staff. It caters to both specific needs and general requirements throughout the organization.



If market conditions are favourable, this trend is planned to continue into 2023 with the integration of new IT tools requiring adequate digital training and skills.



In its structured evolution, the company also periodically reviews certain organisational aspects, which also include a review of the skills of some employees. These lead to job changes often linked to increased responsibility, which take the form of career advancements aimed at the personal, functional and economic growth of people. The mapping of skills across all company functions is among future development projects.

PRODUCT LABELLING OR QUALITY CERTIFICATIONS

Continuously striving for market distinction through quality and professionalism inevitably leads to seeking third-party recognition of one's abilities. Hence, over time, MARGRAF S.p.A. has obtained certifications confirming its expertise, both from a craftsmanship and organisational perspective, as detailed in its Environment, Quality and Safety policy.

Since certification is linked solely to its business reality, the company has sought to broaden its recognition by joining and playing a leading role in industry consortia, which ensure participation rules that are recognised even by third parties.

Besides providing a structured approach to work, certifications symbolise excellence recognisable externally. Within this context, the new paths that MARGRAF S.p.A. has decided to undertake include ISO 45000 and the Organisational, Management, and Control Model as per Italian Legislative Decree No. 231/2001, further strengthening the business model.

CLOSING REMARKS

This Sustainability Report is a first for MARGRAF S.p.A. It therefore offers an integrated vision of the company, including aspects of good management with economic and financial ones, complementing the whole with social as well as environmental topics.

The company's international stature with this document takes another step towards all the stakeholders that contribute to the company's life, further solidifying and bolstering its mission and environmental policy.

MARGRAF S.p.A. is a global ambassador for Italian know-how, shaping cultural sites across five continents, transforming nature into architecture, shaping it to suit the needs of beauty, human creativity, and well-being.

The company invests in actions that reduce environmental impact, from advanced technology equipment to landscape restoration projects, to significant investments in energy savings and the use of renewable resources.

Past and present harmoniously merge at MARGRAF S.p.A., where a deep connection to the material combines with a relentless push for technological research and innovation, blending past into future. With pride and passion, we shape our work today to build the history of tomorrow, now with a heightened awareness of corporate sustainability aspects.

SUSTAINABLE DEVELOPMENT GOALS N. 13 - 16 (See page 38)





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