

INTERCOS GROUP

Global Cosmetic Manufacturer

SUSTAINABILITY REPORT

at December 31st, 2020

*Intercos S.p.A.
Registered office
Milan - Generale Armando Diaz Square, 1*

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Introduction

Reading guide

Coherently with the 2019 Non-Financial Disclosure, the present Sustainability Report is structured in five chapters (chapters 1-5), one for each sustainability area, containing both qualitative and quantitative information:

- **“The Group today”** on general information and the fight against COVID-19;
- **“Sustainability for Intercos”** on policies and Group stakeholders;
- **“We Live Our Values”** on governance aspects and business integrity;
- **“We Care For People”** on employee matters and respect for human rights,
- **“We Believe in Sustainable Beauty”** on environmental matters.

Each chapter includes the following information, distinguished by a specific color code:

- a brief description of the relevance of the non-financial topics disclosed, following the performance of a relevance analysis described in the Methodological note;
- a brief description of the policies adopted by the company in relations to each of the five areas;
- a description of the governance model adopted by Intercos in relations to each relevant topic;
- a description of the key performance indicators that are relevant to ensure a complete understanding of the results derived from the implementation of the policies and governance models adopted.

Letter from the President to Intercos Group's Stakeholders

Dear All,

with the publication of the **Sustainability Report** for the year **2020**, Intercos takes an important step in its **Corporate Social Responsibility** journey.

The Sustainability Report is an ambitious document. A further element of capital importance is now added to the reporting of our social and environmental performance, already contained in the **Non-Financial Declaration*** published in the past years: the **planning** for future years. The story of the past year is accompanied by a **vision of the future**, and therefore the topics and objectives on which the Group has decided to commit itself with a **short and medium-term program**.

During 2020, despite the traumatic impact of the **COVID-19 pandemic**, the company formalized its **commitments** regarding the most sensitive and strategic issues in terms of social responsibility and respect for the environment, structuring them in a **Sustainability Plan**, adopted at **Group level**.

Among the most relevant issues that have the greatest impact on our **core business**, priorities continue to be:

- safeguarding the **health and safety** of our workers;
- their **training**, in accordance with the values expressed in the Corporate Ethical Code;
- supporting the **communities** in which we operate;
- the **design** of innovative, and at the same time, socially and environmentally qualified **products**, attributes of strategic importance in the cosmetics sector;
- **responsible sourcing** of raw materials and packaging, aimed at spreading our ethical values along the **supply chain**;
- the mitigation of the **environmental impact** of our production plants, in particular reducing **greenhouse gas emissions** into the atmosphere and avoiding disposal of **waste** in landfills.

Strategy besides disclosure: **ESG** (*Environmental, Social and Governance*) issues become increasingly central to Intercos' development and growth in the years to come.

Dario Gianandrea Ferrari

President of Intercos Group

** Non-Financial Declaration pursuant to Legislative Decree 254/2016, document published by the Intercos Group on an annual basis for the three-year period 2017 - 2019.*

The Group today – General information

The Intercos Group, born in **1972** from the passion and ambition of its founder **Dario Ferrari**, is today one of the **leading business to business** ("B2B") operators for the ideation, production and marketing of cosmetic and skin-care products at the global level, in partnership with the main national and international brands and retailers active in the cosmetics, skincare, hair and body care sectors.

For over 40 years, Intercos has been interpreting beauty by designing and creating cosmetic products and positioning itself as a trendsetter able to predict, anticipate and influence make-up trends.

The Group's mission is structured as follows:

- **Partnership:** to establish lasting partnerships with the most relevant and iconic cosmetic brands, offering complete ranges of makeup, skincare and hair & body care with a global approach;
- **Profitable innovation:** delivering strong innovation, solid marketing positioning, and fast time to market, we ensure the best profitability to clients;
- **Unrivalled technical expertise:** to provide unmatched innovation with 360° technical expertise, from in-house raw material creation and formula design to production method engineering;
- **Manage complexity:** to simplify the client experience by taking on the complexity generated by continuous innovation, diverse product technologies and a global manufacturing model;
- **Leadership:** to affirm our leadership by delivering long-term, sustainable and competitive advantages to customers through a continuously evolving global strategy that anticipates market changes with "agility". Thanks to its continuous search for innovation in the selection and ideation of raw materials, the creation of products' formulas, and the development of new technologies and packaging, Intercos is able to renew itself and to design and supply innovative products, determining its role as a strategic partner and full outsourcer. Thus, Intercos vision is *"to be at the heart of beauty's favorite brands"*.

Intercos owes its success to a number of peculiar strength points, namely:

Superior innovation capabilities with 360° technical expertise

Research and Innovation are an essential component of Intercos' business model, as well as an area in which the Group invests considerable resources. It is indeed thanks to the intense activities in Research and Development that the Group succeeds in continuously improving and expanding its product portfolio and making the entire production process more efficient. The deep knowledge of consumers, in addition to products, allows Intercos to qualify as a trendsetter in the world of beauty, to create and offer its customers innovative products that to anticipate trends and become immediately trendy.

A structured and efficient global production platform

Its global production platform allows Intercos to organize production efficiently, to respond to peaks in demand and leverage economies of scale, as well to consolidate its presence in emerging markets. The geographical proximity to its customers also allows Intercos to capture and rapidly respond to their needs.

The required managerial skills and the costs needed to manage the complexities of a production platform such as that of the Intercos Group constitute a barrier to entry for both global and local competitors wishing to grow within the beauty outsourcing market. These complexities also derive from the breadth of Intercos' product portfolio, based on a variety of different technologies and production processes.

Ability to anticipate consumer trends and demands

Intercos holds a leading position in the "B2B" segment of the beauty market, highlighting the Group's ability to present itself as a strategic partner to its customers. Intercos is indeed able to operate as a full outsourcer and manage internally the entire value chain, from trend scouting to research, from the selection of suppliers to the production and marketing of its products.

Moreover, the constant focus on innovation, supported by Intercos' deep knowledge of the market and distribution channels, allows the Group to adapt to the changing needs of consumers, thus anticipating and actively influencing trends.

Intercos holds the intellectual property of most of the formulas / products and production processes, which in some cases can be hardly replicated by customers or competitors. Consequently, Intercos is able to retain its customers and consolidate its commercial relationships, lasting sometimes over twenty years, with most of the major operators of the cosmetic industry.

The fight against COVID-19

The global spread of the **new Coronavirus (or COVID-19)** and its immediate consequences in the health, economic and social fields, despite the discovery of the vaccine, still represent a source of uncertainty and concern for the future implications that it may produce in the national and international economic system.

On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 virus a **pandemic** after an increasing number of people from various countries contracted the infection. Among these, in addition to China, which was first hit at the beginning of the year reported, we also find Italy, Spain, the United Kingdom, the United States and Brazil. In order to contain the spread of the virus, the governments of the various countries have introduced increasingly restrictive measures, which have concerned the progressive closure of flights on domestic and international routes, the closures of schools, offices, shops and production plants and then in the lockdown of numerous countries around the world.

This led to the reduction of production activity initially in the Intercos plants in Asia, and subsequently in the USA, Brazil and Italy. However, it should be noted that the **Cosmint S.p.A.** and **Tatra Spring Polska Spółka z.o.o.** have continued their production activity without interruption, recording an increase in the **production of disinfectants and products for personal care and hygiene.**

In this context, the Intercos Group has chosen to adopt a **standard safety protocol** in all the countries in which it operates, in compliance with the various laws and regulations in force locally, with the primary objective of guaranteeing the healthiness and safety of the workplace. and working methods aimed at preventing all workers from being exposed to contagion factors that accentuate the spread of the virus.

Among the most relevant **common approaches**:

- All people having trouble breathing or immunodeficiencies, as well as pregnant, have been strongly invited to stay at home;
- Employees, as well as contractors, consultants and visitors, feeling sick had to stay at home;
- Minimized movements of employees between Intercos sites and suppliers/customers, as well as reduced mobility within departments and to/from offices;
- Canteens have been closed and replaced with meal bags service, to eat at each workplace;
- Phones and online meetings have been encouraged as communication systems;
- Strict sites access control, by checking the health status of those entering the sites through measurement of body temperature;
- Distribution in all common areas of hand sanitizer gel dispensers to each employee, and strongly encouraged the cleaning of hands with alcohol-based soap or soap and warm water;
- Frequently cleaning – at least once per day – of all the surfaces (door handles, desks, PCs, telephones, etc.) in order to guarantee proper sanitization;
- All areas, production included, sanitized at least once a day, while ensuring room ventilation;
- Maintain at least 1-meter (3.2 feet) distance between people;
- Activities have been reorganized to decrease the simultaneous presence of people in the same place, and remote working has been implemented;
- Limited use of lifts (max 1 or 2 persons at a time);
- Strict preventive measures for trucks deliveries;
- Information notes and posters with best practices and behaviors to follow in all areas;
- Adequate supervision and control at all levels, with immediate correction of wrong behaviors.

In each country, the Group's subsidiaries have set up an **Extraordinary Crisis Committee against COVID-19**, made up of representatives of the main corporate functions. The primary objective of this body is to ensure the adoption of the protocol based on the assessment and management of the risk associated with the current pandemic emergency. All employees received adequate information notes with constant electronic updates.

To date, vaccines capable of counteracting the spread of the virus or drastically reducing the symptoms of the disease have been discovered and produced by various pharmaceutical companies. Vaccination campaigns are underway worldwide.

Below are presented two initiatives that Intercos Group developed to help people facing the COVID-19 pandemic.

Partnership with Campari to produce hand sanitizer

In April 2020, Intercos Group and **Campari Group**, one of the major global players in the spirits sector, have joined forces to produce **hydro-alcoholic gel hand cleaners**. The gel has been delivered to Lombardy healthcare workers who have been – and still are – at the forefront of the fight against the Coronavirus COVID-19 emergency. The alcohol donated by Campari Group has been transformed and bottled in the Intercos Group plant of **Cosmint S.p.A.**, in Olgiate Comasco. This partnership has enabled a production of batches of **44,892** hand sanitizer bottles.



Campari and Intercos have also handled the logistics of the finished product, in order to deliver the gel sanitizers where most urgently needed.

CRB masks



At the end of 2020, **CRB** has partnered with **UBIK**, a startup located in Madrid that was born during the pandemic in order to meet the growing demand for masks, distinguished by the design and the multifunctionality of its products.

The output of this collaboration is the **mask** shown in the picture, whose features are being **custom made, reusable, washable, comfortable (allowing high breathability), raincoat, antibacterial**. The masks also meet the requirements of the French certification AFNOR SPEC S76 001:2020. The masks have been donated to the company staff.

In-depth analysis: SECTOR DESCRIPTION

Within the beauty industry, Intercos is active in the following sectors: decorative cosmetics (make up or color cosmetics), skin care products, hair and body care products. Intercos operates in a highly competitive market, characterized by the need to constantly innovate in order to meet consumers' requests, which are increasingly sophisticated in terms of both quality and safety of the product and in terms of sustainability.

Make-up products are characterized by a short life cycle, due to the high innovation component that distinguishes them and their close interrelation with the fashion world. They include:

- **Powders:** dry facial powders (foundations, blushes, bronzers and illuminating powders), dry eye powders (eyeshadows) and wet powders, including baked powders (i.e. powders cooked through a baking process in special terracotta terrines) and gel powders (i.e. powders that become soft to the touch thanks to their gel content, patented by the Intercos Group with the name of "prisma shine"), and finally *baked injections* (i.e. fluid powders injected into the pads and dried through an automated production cycle to facilitate the creation of multicolour pallets);
- **Foundations and face products** such as emulsions or gels, in the form of sticks, fluids or pencils (chubby), for example foundations, correctors, illuminants, bronzers, blushes and primers. This category includes creams that can be used for both decorative and treatment purposes, the so-called BB creams (beauty balm or balsam), CC creams (color corrector or colored creams) and DD creams (daily defence or anti-smog or screen-creams);
- **Lip products**, i.e. lipsticks, primers, lip gloss, pencils, and other lip products for decorative and/or beneficial use such as hydration and antioxidant effects;
- **Delivery systems** such as pencils (in wood or plastic, to be tempered or mechanical) for eyes and eyebrows, kajal, fluid eyeliners and mascara, for which the packaging system is essential for the

correct application and performance of the product and therefore the need for innovation lies not only in the formula but also in the ideation and designing of the packaging;

- **Nail products:** colored glazes (lacquered, opaque, pearly or glittered), transparent nail polish, curative products (reinforcing and smoothing polish, polish with active ingredients, cuticle products, etc.) and finally the solvents for nail polish removal.

As for the **skin care** segment, skin care products are mainly divided into:

- **Emulsions**, in particular oil / water emulsions, characterized by hydro-dispersibility, easy extensibility and rapid absorption, such as protective day creams, moisturizers, emollients, and cleansing creams, depilatory creams and sunscreens; water / oil emulsions, characterized by water repellency and the formation on the skin of a lipid film such as night creams, anti-wrinkle and nourishing cream masks, foundations and creams for children.
- **Oils**, i.e. anhydrous products containing active ingredients and antioxidant fragrances in an oily vehicle such as baby oils, sun oils, massage oils and treatment oils.
- **Aqueous fluids:** tonics, micellar waters, spray deodorants or hair fixers.
- **Gels:** aqueous (serums, masks, hair fixers), anhydrous (for sun protection) and above all foaming agents, meaning products for skin hygiene performing a cleaning and foaming action.

Finally, **hair, personal care & fragrances** segment includes products for body and hair care, such as: shampoos, conditioners, cleansers, gels, shower gels, body lotions, face and hand creams, aftershaves, toothpastes, soaps, deodorants, fragrances.

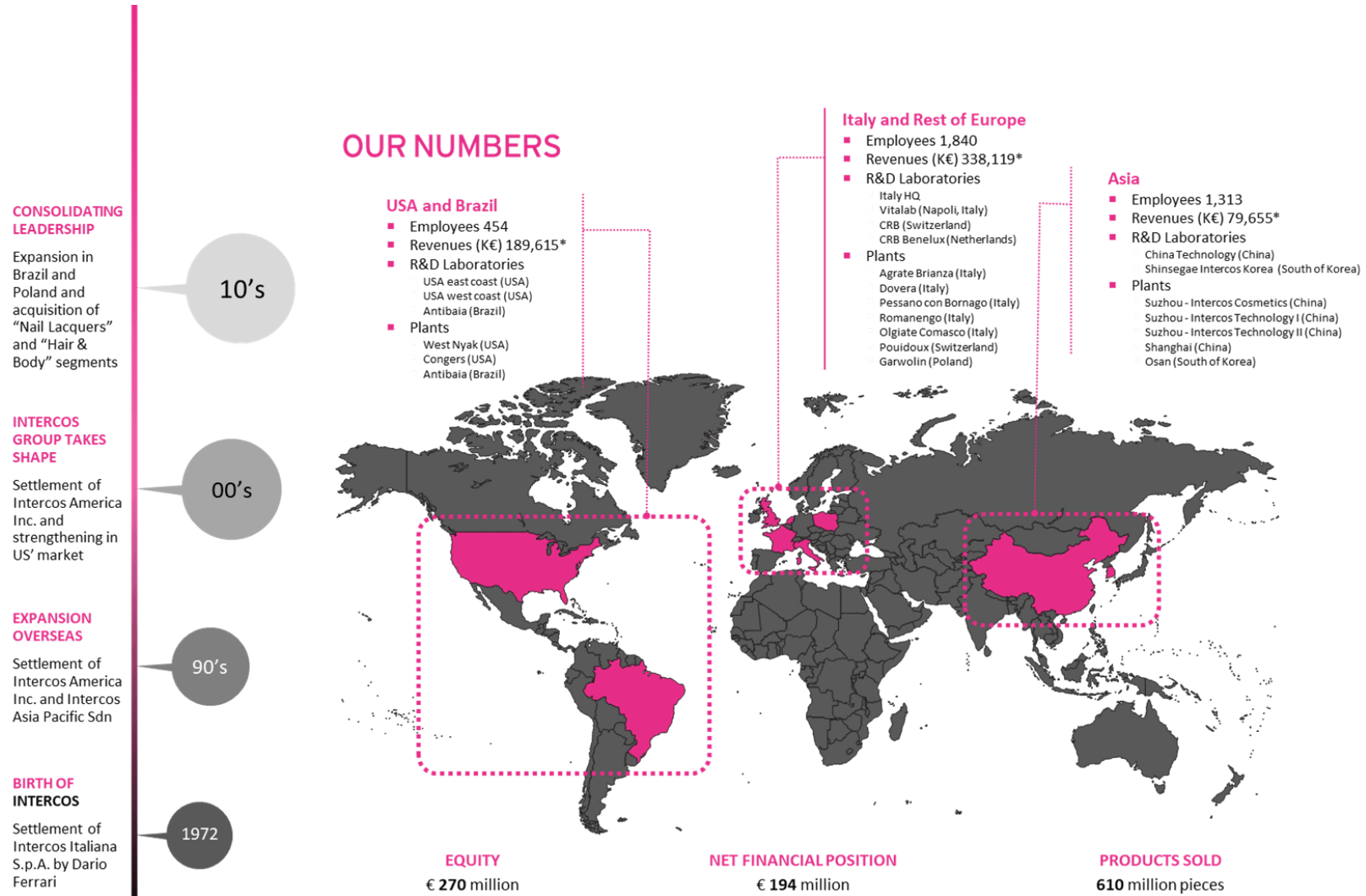
The Group's success is based on its ability to cover all the geographical areas that have the greatest potential for development and to be innovative in all stages of the production process: from the research and testing of raw materials to the formulation and development of finished products; from the conducting of compatibility and market studies, to the designing of the packaging; from the ideation to the scale production of the products.

In light of this, despite COVID-19 Pandemic, the Group further expanded its presence in the Asian Market by acquiring the Joint Venture "Shinsegae Intercos Korea Inc.", now "**Intercos Korea Inc.**". The acquisition was completed the **30th June 2020**.

As of December 31st, 2020, the Intercos Group is present in **Europe, North and South America** and in **Asia** with **15 production plants** in **Italy, France, Switzerland, Poland, China, the United States, Brazil and South Korea**, as well as commercial offices and **11 research and development centers** all over the world (*Figure A*).

Figure A: Organizational structure of Intercos Group as of December 31st, 2020

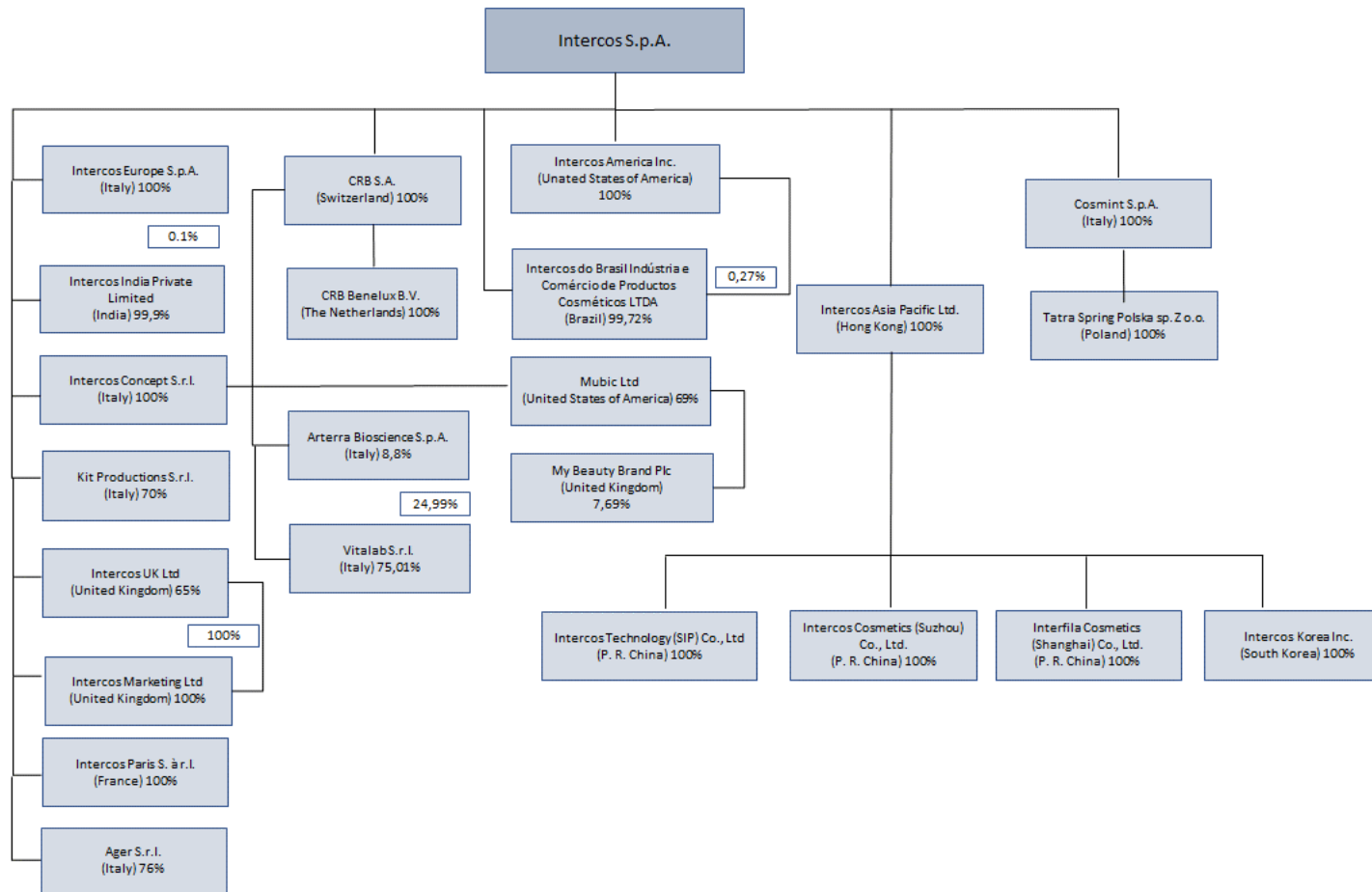
Presence in the World



* Please note that the revenues are to be referred to the commercial area, with reference to where is located the client's HQ

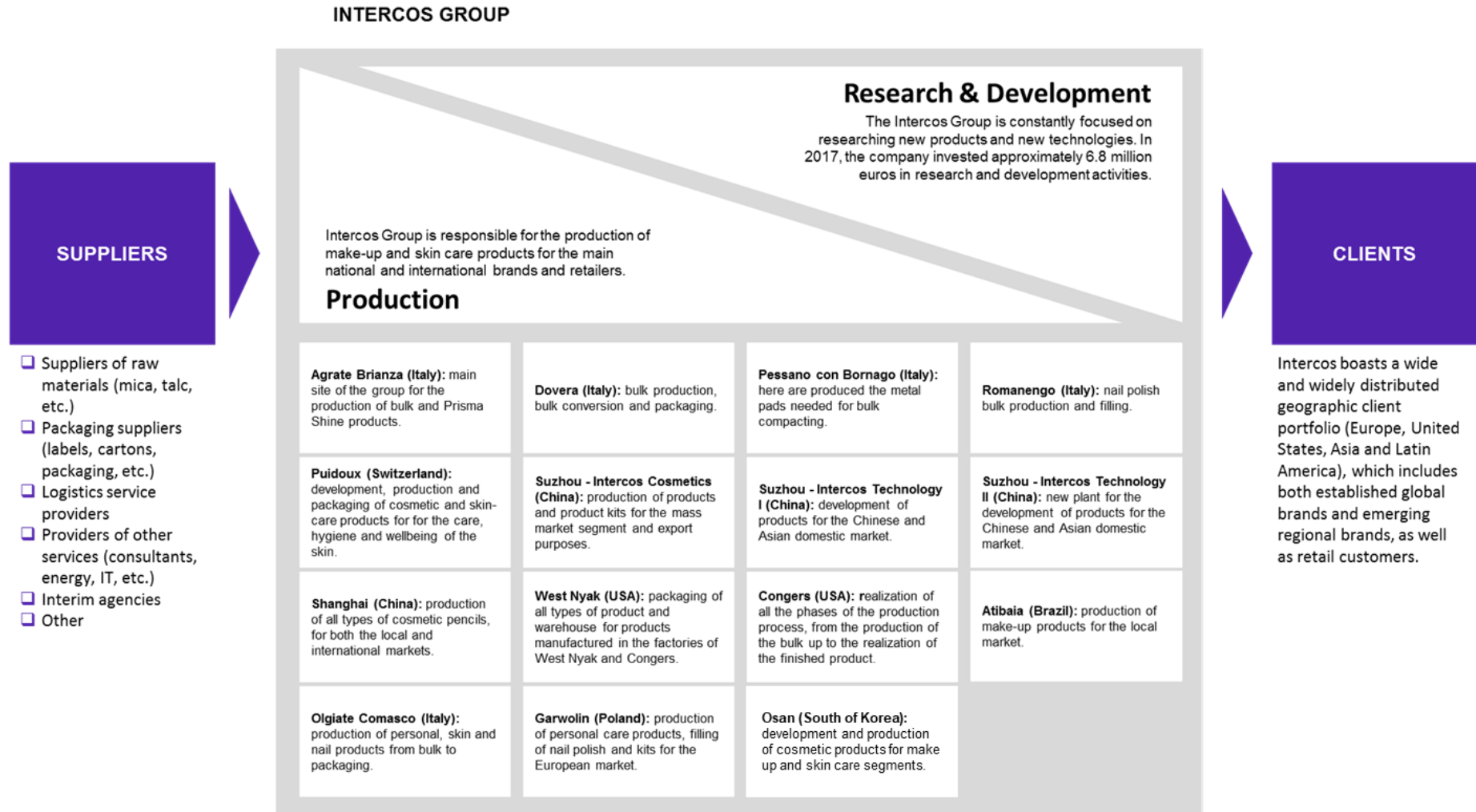
From an organizational point of view, the Group consists of **23 companies**, directly or indirectly controlled by the Parent Company Intercos S.p.A., headquartered in Italy (*Figure B*). For reporting purposes, if not differently specified, the scope of consolidation of the present Sustainability Report coincides with that applied to financial disclosures according to the line-by-line consolidation method¹.

Figure B: Organizational structure of Intercos Group as of December the 31st, 2020



¹ If not otherwise specified, coherently with the acquisition period, Intercos Korea Inc. is included from 1st July 2020.

In order to facilitate the understanding of the information contained in the following chapters, a simplified representation of Intercos Group's value chains is illustrated below:



For what concerns the workforce composition, by the end of 2020 Intercos Group counted **3,607 employees** (see *Table 11 - Appendix*) with 122 less employees with respect to 2019, primarily due to the **COVID-19 impact on operations**.

A significant share of **women** (about 63% of total employees) has also to be highlighted, concentrated mainly in Italy (35%) and in China² (33%) and to a lesser extent in the other Countries where the company operates (United States, Switzerland, France, United Kingdom, Poland, Brazil and Korea). All Group's employees are covered by **collective bargaining agreements**, except for Intercos America where employees are covered by individual bargaining agreements.

Almost all employees have **permanent** contracts (96%) and **full-time** contracts (about 96%).

Furthermore, during the year, the company employed an average of **1,694** temporary workers, interns and external consultants. Further details are illustrated in the Appendix (see *Table 12* and *Table 13*).

Figure 1- Number of employees, by type of contract

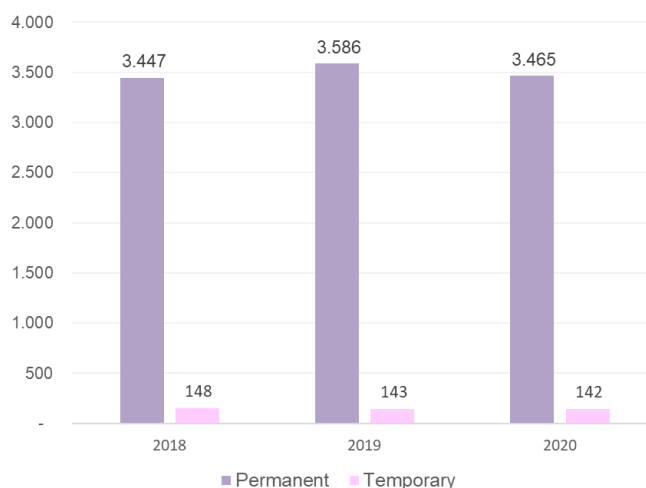
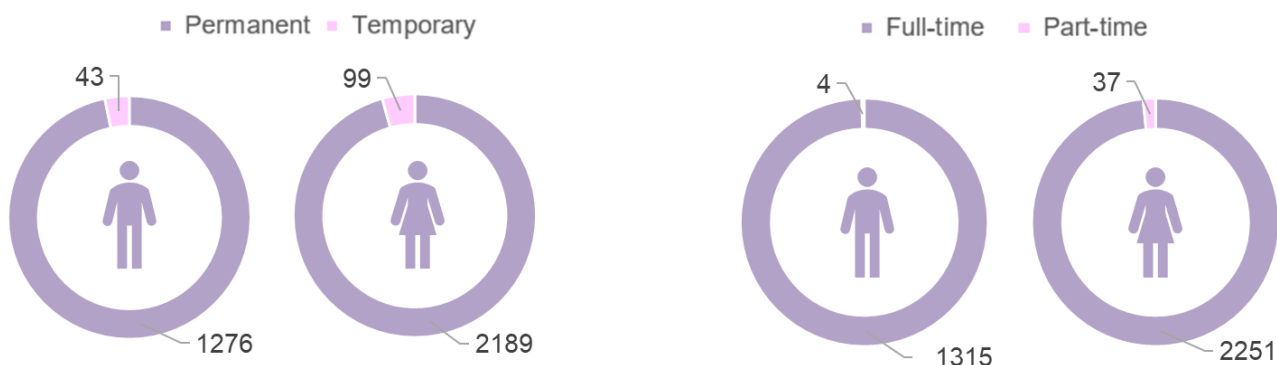


Figure 2 - Number of employees, by type of contract (permanent and temporary/ full-time and part-time) and by gender – 2020



Corporate Governance

The collective bodies that form the governance system of Intercos Group are the **Board of Directors**, the **Board of Statutory Auditors** and the **Shareholders' Assembly**. Furthermore, the **Supervisory Body** oversees and controls the governance system of Intercos Group.

The Board of Directors holds the widest powers for the management of the Company and has the function of defining the Group's objectives and strategic guidelines and of carrying out all the actions considered appropriate for the implementation and achievement of the Company's objectives, excluding only those reserved by law to the Shareholders' Assembly. At the end of the period covered by the present Sustainability Report, the Board of Directors is composed of **12 directors**, of which **10 men** and **3 women**. The Directors remain in office for 3 financial years and may be re-elected. Further details are illustrated in the Appendix (see *Table 8*).

² Among the Group's Chinese companies, Intercos Asia Pacific Limited, based in Hong Kong, has been included as well.

The Board of Statutory Auditors is composed of **3 standing statutory auditors** and **2 deputy auditors** appointed by the Shareholders' Assembly to monitor compliance with the law and the Company bylaws with the support of an independent auditing company. Statutory auditors remain in office for 3 financial years and may be re-elected. Further details are illustrated in the Appendix (see *Table 9*).

The Shareholders' Assembly represents the universality of the Shareholders and their resolutions, taken in compliance with the law and company by-laws. The ordinary Shareholders' Assembly must be called by the Board of Directors at least once a year, within 120 days from the end of the financial year or 180 days in the cases permitted by law.

The Supervisory Body oversees the observance, effectiveness, implementation and updating, if necessary, of the **Organizational Model pursuant to Legislative Decree 231/2001**, in order to prevent the commission of the offenses referred to in the Decree. For the performance of the tasks assigned, the Supervisory Body is invested with all the powers of initiative and control over all company activities and personnel levels, and reports exclusively to the Board of Directors, to which it reports through its President. The Supervisory Body composition is illustrated in the Appendix (see *Table 10*).

Sustainability at Intercos: Governance, Policy and Plan

Global challenges require concerted actions, by all actors in the economy. For this reason, Intercos understands its responsibility in ensuring a sustainable growth that guarantees the respect for the environment and for people's rights, in its operations as well as throughout the entire value chain.

To this aim, in the beginning of **2019** Intercos formalized its own **Sustainability Policy**, to define the Group's sustainability priorities and commitments towards the stakeholders, in line with the core values in the daily management of the Company.

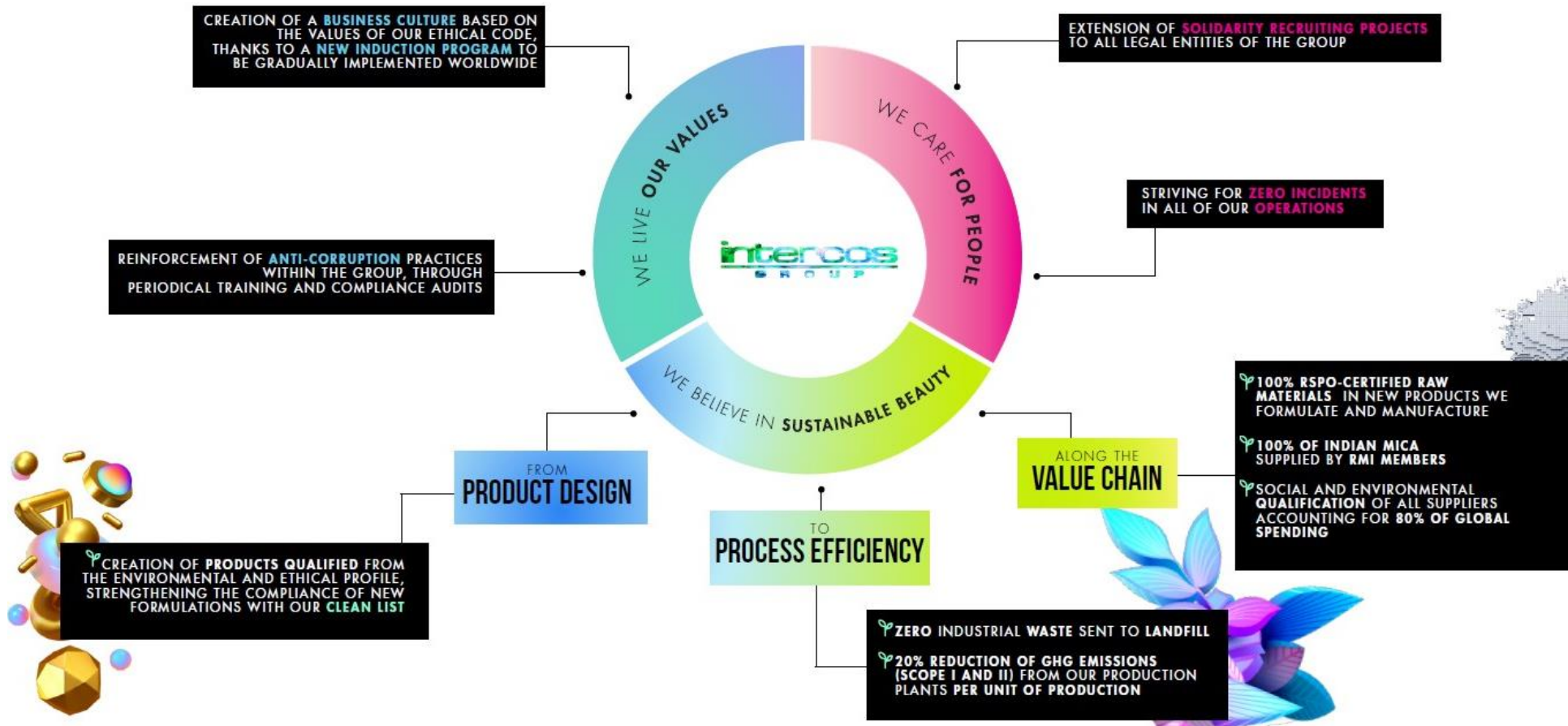
Intercos' **sustainability commitment** is based upon the following **three pillars**:

- **"We live our Values"**: is the commitment to allowing zero tolerance for corruption and creating a culture for transparency among the entire workforce; to promoting and to ensuring the respect for the principles of free competition and conducting business practices according to the principles of good faith, honesty and fairness; to guaranteeing the outmost respect for the right to business confidentiality of clients and the safety of products for final consumers;
- **"We care for People"**: is the commitment to guaranteeing a healthy, inclusive an enabling work environment and promoting work-life balance; to investing in the development employees' skills and competences; to engaging with local communities and creating opportunities for the most vulnerable;
- **"We believe in Sustainable Beauty"**: is the commitment to innovating formulas, ingredients and packaging as to continuously reduce the use of not renewable resources, promoting the use of recycled and recyclable materials and avoid the use of ingredients that might endanger the respect for human rights and the environment; to improving industrial processes as to reduce energy and water consumption, to efficiently manage waste and to actively contribute to the fight against climate change; to encouraging the Group's suppliers to join the Group's commitment to respect the environment and society along the entire value chain.

Based on the pillars of the Global Sustainability Policy, Intercos Group has defined a **Strategic Sustainability Plan**, which the company is committed to achieving by **2025**.

INTERCOS GROUP

SUSTAINABILITY ROADMAP



Through this Plan, Intecos Group concretely supports some of the **Sustainable Development Goals (SDGs)** contained in the **2030 Agenda for Sustainable Development**, launched in 2015 by the **United Nations**. Specifically, Intecos Group selected six SDGs on which the Company as a whole can have an impact:

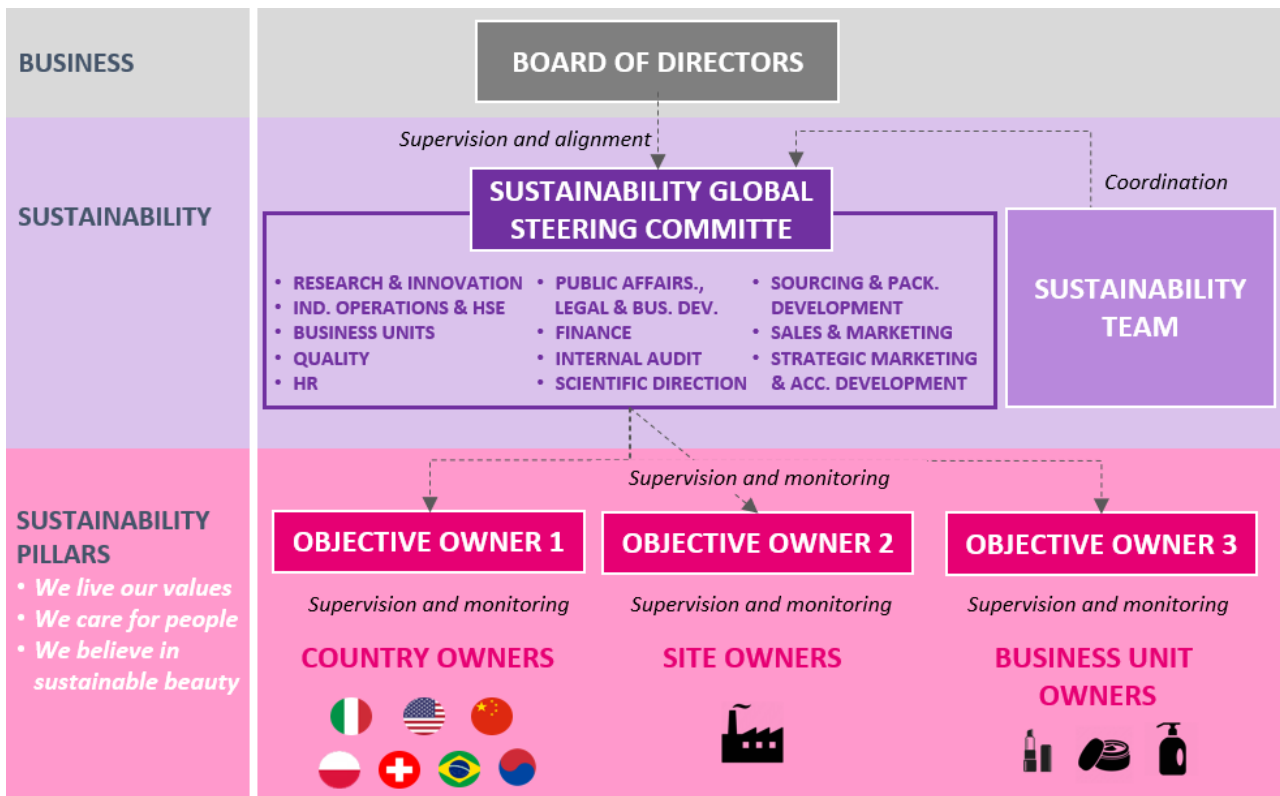
- *No poverty;*
- *Good health and well-being;*
- *Decent work and economic growth;*
- *Responsible consumption and production;*
- *Climate action;*
- *Life on land.*



To manage sustainability, the Group has also developed its own **governance** model for monitoring and evaluating the actions taken in continuity with the commitments of previous years. A key role is played by a dedicated internal committee, the **Sustainability Global Steering Committee**, established in **2018**. This is an international, cross-functional body responsible for managing the most relevant social and environmental aspects for the company and our stakeholders globally.

The Sustainability Global Steering Committee, together with the **Board of Directors**, constantly oversees the implementation of the Sustainability Policy and Plan.

The organization and the coordination of sustainability projects and initiatives are carried out by the **Sustainability Team**.



The Group's Stakeholders and Materiality Analysis

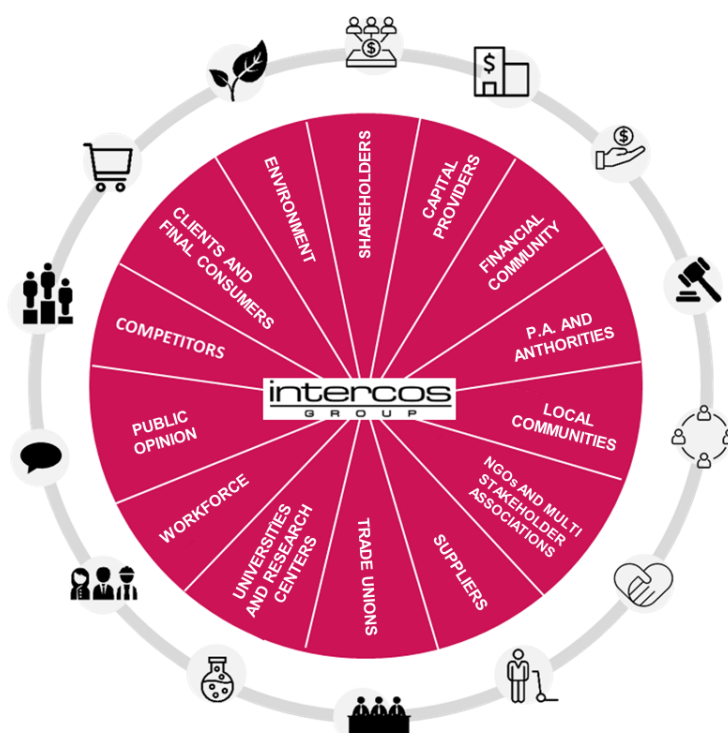
Furthermore, aiming at finding the Group's material topics, in **2020** Intercos updated its **stakeholders map** and **materiality analysis** conducted in 2019, through interviews and discussions with the management and, in line with **GRI Sustainability Reporting Standards** (hereinafter also "GRI Standards"), published by the **GRI – Global Reporting Initiative**. The materiality matrix update in 2020 has entailed some changes respect to 2019 – some shifts of already identified materials topics and one topic that has become material (*Diversity, equal opportunities and non-discrimination*).

Group's Stakeholders

Intercos Group has identified its own stakeholders and considers their expectations as extremely important to the pursue of its corporate goals. Stakeholders are subjects able to influence or be influenced by the Group's activity.

To this aim, the following graph maps the principal stakeholders' categories of Intercos Group.

Intercos' Stakeholders map:



The following table represent the main stakeholder engagement activities adopted by Intercos:

Stakeholder	Channels of communication and engagement
Shareholders, capital provides and financial community	<ul style="list-style-type: none"> • Shareholders annual meeting • Update meetings with Shareholders (quarterly) • Periodical meetings with banks during the year • Consolidated Balance published every three months • Website, social media, press releases, newsletter

Public Administration and Authorities, local communities, NGOs and multi-stakeholder associations	<ul style="list-style-type: none"> • Carbon Disclosure Project (CDP) • EcoVadis questionnaire • Roundtable on Sustainable Palm Oil (RSPO) • Responsible Mica Initiative (RMI)
Suppliers	<ul style="list-style-type: none"> • Sector exhibitions • Selection and qualification processes • Roundtable on Sustainable Palm Oil (RSPO) • Responsible Mica Initiative (RMI)
Trade unions	<ul style="list-style-type: none"> • Union meetings with internal and external representatives • Plenary assemblies with workforce
Universities and Research centers	<ul style="list-style-type: none"> • Recruiting and employer branding activities (Career days) • Social media
Workforce	<ul style="list-style-type: none"> • Training sessions
Public opinion, competitors, environment	<ul style="list-style-type: none"> • Sector exhibitions • Website, social media, press releases, newsletter
Clients and final consumers	<ul style="list-style-type: none"> • Periodical business reviews on sustainability topics • Sector exhibitions • Webinars on specific topics

Materiality Analysis

The materiality analysis was carried out in two main phases:

- **Identification of the universe of topics** aiming at identifying non-financial topics potentially relevant;
- **Topics' prioritization** through the evaluation of their relevance according to the Group and the stakeholders perspectives.

In order to identify non-financial topics to be evaluated, the following analysis were realized:

- **benchmark analysis:** analysis of the main sustainability topics reported in public reports by clients, competitors and comparables;
- **sustainability trends analysis at global level:** mapping of the main non-financial aspects considered by the principal stock exchanges that published guidelines for the sustainability report, sustainability rating, international organizations and Governments;
- **sector pressures analysis:** mapping of the non-financial aspects highlighted as relevant for the cosmetic sector. In particular, publications of principal industrial associations and international organizations were analyzed;
- **stakeholders mapping:** analysis of the key stakeholders and of the sustainability topics most relevant for them.

Once that non-financial topics potentially relevant for the Group have been defined, a significance analysis has been carried out to finally identify the most important and material topics according to the Company and its stakeholders.

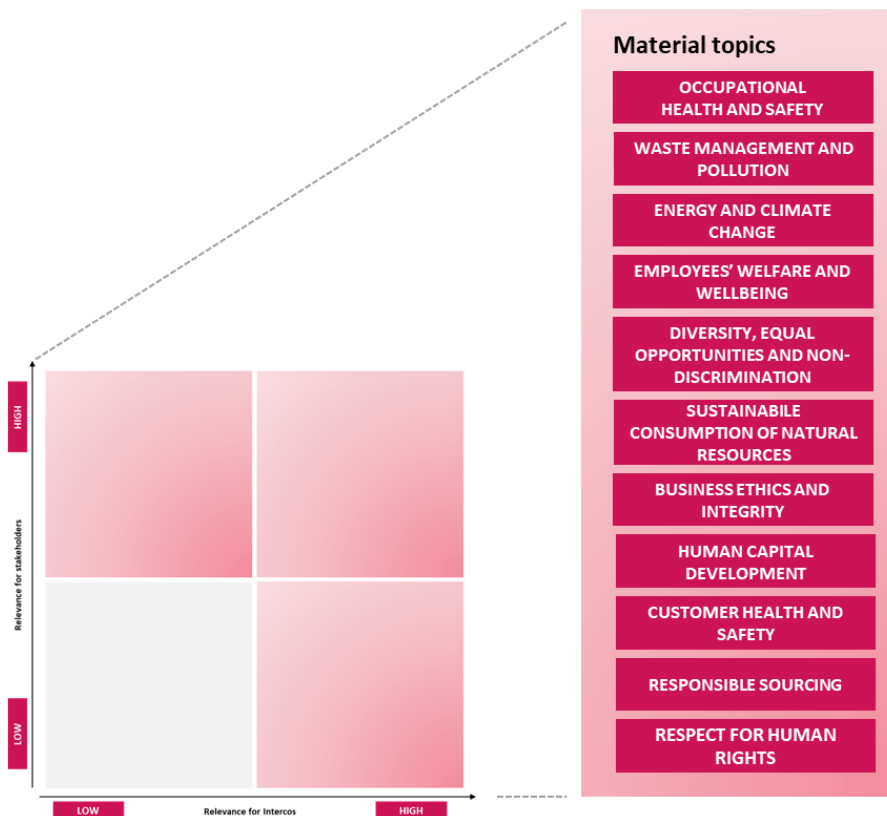
In particular, for what concerns topics' relevance according to the Company's perspective, interviews were hold in 2020 with the main corporate functions, whom were asked, starting from the 2019 materiality matrix, to update every topic importance, taking into consideration their impact on the Company's capability to create value and their potential risks/opportunities related to each aspect.

The topics' relevance according to the Group's stakeholders, on the other hand, was evaluated on the basis of results emerged from the analysis above described (benchmark, sector pressures and sustainability trends), as assumed to be representative of the main stakeholders' point of view.

In both cases, in line with GRI Standards, the prioritization of the topics was done considering their impact on both the internal and external perimeters, thus enlarging the analysis along the entire value chain.

The intersection of the relevance analysis according to Corporate and stakeholders perspective led to the definition of the material non-financial aspects (see the matrix below), on which the Group's Sustainability Report is focused.

The materiality matrix



In particular, the main results are reported hereafter:

- the most relevant topics, both under Corporate and stakeholders point of view, are “**Occupational Health and safety**” and “**Responsible Sourcing**”, coherently with the crucial role of manufacturing and sourcing activities for the business sustainability;
- “**Customer health and safety**”, “**Waste management and pollution**” and “**Respect for Human rights**” are the most relevant topics for Intercos, mostly due to the business activity and the importance of such topics with regard to the raw material sourcing process;
- the topics related to “**Energy and climate change**”, “**Employees' welfare and wellbeing**”, “**Sustainable consumption of natural resources**” and “**Human capital development**” are relevant under stakeholders point of view and reflect their increasing importance at global level, as well as the relevance of know-how and human capital within the business;

- “**Diversity, equal opportunities and non-discrimination**” became a new material topic, being together with “**Business Ethics and Integrity**” an important topic for both the company and its stakeholders, although not particularly priority.

An award-winning performance: EcoVadis and CDP assessments

Intercos has been recognized and esteemed by both **clients** and **independent performance evaluation bodies** for sustainability who have awarded the company’s continuous progress in recent years.

EcoVadis and **CDP** (*Carbon Disclosure Project*) are global leaders in the sustainability & CSR performance assessment of companies.

EcoVadis

- Intercos Group’s latest score: **72/100**, released in March **2021**
- **Gold Medal**
- In the top **2%** of companies rated by EcoVadis in the Beauty & Cosmetics sector
- Outstanding progression over the years:
 - 42 in 2018, bronze medal
 - 53 in 2019, silver medal
 - 67 in 2020, gold medal
 - 72 in 2021, gold medal



CDP (Carbon Disclosure Project)

- *Climate Change* Questionnaire: **B score** (Management Level), released in December **2020**
- Score **higher** than the Chemicals sector average (**C**) and the European and global average (**C**)
- Upgrading in recent years:
 - D in 2018
 - C in 2019
 - B in Jan 2020 (confirmed in Dec 2020)
- *Forests* Questionnaire: **B- score** released in December **2020** (first participation)
 - Focus on palm oil and palm oil derivatives
- Score **higher** than the European and global average (**C**)



We Live Our Values

Our Values

For Intercos Group, which bases its business on research and development activities, people's talent, skills and development have always been the key elements to enhance the ability to continuously innovate and be leader within the cosmetic market. For this reason, Intercos always cares of its employees' personal and professional development. To do so, through a direct sharing among employees, the Group defined the values and the relative competences to assess people:

- **Innovation & Imagination:** "We are a visionary company that anticipates future trends in beauty. We encourage creativity, taking initiative and thinking outside of the box";
- **Ambition:** "We constantly strive to go above and beyond expectations. This work ethic and commitment has made us global leaders and we are always searching for ways to improve on what we have accomplished";
- **Passion:** "Everything we do is driven by enthusiasm. We take accountability for our actions and decisions";
- **Customer Centricity:** "Customers are our first priority. We satisfy their wills and needs and develop lasting relationships with them".
- **Flexibility & Speed:** "We are proactive and quick to respond to situations. Through multitasking and troubleshooting we can easily manage complex situations swiftly and neatly";
- **Beauty:** "Beauty is our cult, our purpose. In this continuous research, we combine creativity with strategy, to embody and anticipate feminine desires".



Intercos also promotes specific ethical values that all employees are called to follow during daily working management facing stakeholders:

- **Respect:** "We genuinely care about people and are always ready to listen to other opinions. We openly consider different points of view and willingly change our perspective if necessary";
- **Integrity:** "We are honest, straightforward and consistent when dealing with people. We encourage fair business practices and have strong moral and ethical principles";
- **Transparency:** "We are transparent and open. We facilitate access to data and information, as well as collaborative and cooperative management and decision-making".



The Ethical Values

Intercos Group is committed to respecting the **highest standards of business conduct**, fighting corruption in all its forms, both active and passive, and acting to prevent any potential violation of its **business integrity**.

Intercos expresses its commitment to ensuring the respect of the highest values of business conduct within the **Code of Conduct**. In fact, as described in the following section, the Group practices policies based on the principles of **integrity** and **transparency**, considered as fundamental ethical values, and explicitly condemns any form of corruption, both active and passive. It is also noted that Cosmint S.p.a., acquired by Intercos Group on August 3rd, 2017, has adopted an **anti-corruption** and **anti-fraud Policy**, which expresses the company's commitment to preventing any form of corruption and fraud, in support of its values of corporate responsibility.

Intercos guarantees its legislative compliance with anti-corruption regulations in all the countries in which it operates. In Italy, the relevant legislation is the Legislative Decree 231/2001, which regulates the administrative responsibility of companies and other entities. Intercos, in Italy, has adopted an **Organizational Model pursuant to Legislative Decree 231/2001**, with the goal of fulfilling its legislative requirements but also of improving and increasing the efficiency of existing internal control and corporate governance systems. The main objective of the Model is, in fact, to create an organic and structured system of principles and control procedures, aimed at preventing the perpetration of the offenses envisaged by the Legislative Decree 231/2001, including the crime of **corruption**, through the **information** and **training** of employees, the dissemination of a business culture based on **legality**, the promotion of a decision-making process based on **transparency** and **traceability** manner and the empowerment of the resources dedicated to the making and implementation of these decisions. In compliance with the article no. 2 of the Law no. 179 of November 30th, 2017, that modifies article no. 6 of the Legislative Decree 231/2001, the Model was integrated to include, *inter alia*, measures to safeguard **whistleblowers** and, more in general, a proper and non-abusive use of whistleblowing channels.

For what concerns the Group's **foreign subsidiaries**, Intercos S.p.A. has drafted a set of guidelines (the "**Guidelines**"), which contain the principles of organizational and business conduct to which the foreign subsidiaries controlled by the Parent company need to adhere, in line with the Organizational Model adopted by Intercos pursuant to Legislative Decree no. 231/2001, while also respecting all applicable rules at the local level where the subsidiaries are based.

Furthermore, it is worth mentioning that, in Italy, Cosmint S.p.A., acquired by the Intercos Group in August 2017, has its own Organizational Model pursuant to Legislative Decree 231/2001 and its own Supervisory Body.

The Guidelines for the foreign subsidiaries of Intercos S.p.A. are thus the reference point for the promotion of an **ethical and transparent corporate culture**. In fact, they attribute to the governing body of each subsidiary the power to implement all the necessary measures to apply the principles illustrated in the Model, with the aim of preventing any behavior that is not in line with the **corporate culture**. In particular, the Guidelines define the Group's principles regarding the system of **powers delegation** and the management of **financial resources**, requiring companies to equip themselves with the necessary **internal procedures** in line with the Model.

Moreover, the Guidelines define the rules of conduct to be adopted in relations with the **Public Administration**, in the management of **human resources**, in the management of **trademarks, patents** and activities subject to **intellectual property rights**, in the production and distribution processes of the **product**, in the preparation of **financial statements**, in the management of **customer data, procurement** processes and **sales** activities.

In order to prevent any episodes of Group's active and passive corruption, a series of **specific procedures** support the implementation of the Organizational Model, among which, by way of example and not limited to, are:

- the **Procedure for applying for and managing subsidized loans**, which defines methodology, duties, responsibilities and mode of operating with regard to the Company's applications for and handling of public financing and/or grants ("Public Financing") to ensure the compliance with the standards of control applicable for activities subject to the risk of commission of the offenses contemplated by the Decree 231/2001, as it is stated in the Organizational Model;
- the **Procedure for the management of relations with the Public Administration**, which defines the correctness and impartiality of this type of relationships;
- the **Procedure for the management of contractual relationships with sales agents**, which defines the compliance with the Italian law of the relationship with sales agents;
- the **Third-Party Processing Procedure**, regulating the purchase of works (with external or temporary working contracts), outsourced services and/or supplies by Intercos to a company or a self-employed;
- the **Payment Cycle Procedure**, which defines the internal norms regulating the procurement of the goods and/or services necessary for the Company's operations;
- the **Handling of Reports of Irregularities Procedure**, which defines the internal operating norms necessary for handling reports submitted by the Company's collaborators, employees, consultants, commercial partners and/or suppliers of issues which potentially involve the responsibility of the Company under the Decree 231/2001 legislation;
- the **Procedure for the management of civil, criminal and administrative litigation**, which defines the duties, the processes and the responsibilities of the Company Functions in relation to litigation involving the Company, in conformity with the requirements of the Organizational Model;
- the **Procedure for the management of subcontractors** which defines the internal rules governing the acquisition of sub-supply services and / or costs related to the operations by third parties necessary for the company's production activity.

In addition, starting from Q4 2020, a program of **internal compliance audits** has been launched for the abroad Intercos Group legal entities, according to the Guidelines and in addition to those carried out for the Italian ones by the Supervisory Board and pursuant to Legislative Decree 231/2001³.

It should be noted that, during the three-year period 2018-2020, no corruption incidents were reported.

THE ETHICAL CODE AND THE CODE OF CONDUCT

The key values of the Intercos Group are listed in its **Code of Ethics: innovation and imagination, ambition, passion, flexibility and speed, beauty and the centrality of the customer**. With the adoption of the Code of Ethics, the Group commits itself to anticipating the future trends in beauty through continuous research and the encouragement of creativity, initiative and originality; to exceed customer expectations and, finally, to act responsibly, proactively and always driven by enthusiasm, all by looking at the customers and their needs as a priority.

The Code of Ethics also includes the three fundamental ethical values of the Group, namely **respect, integrity and transparency**, which are the basis for the Group's relations with all stakeholders: customers, employees, investors, suppliers, the community, the public administration and finally the environment.

Finally, the Company makes explicit in the Code of Ethics the values and specific responsibilities that guide it in relations with each stakeholder group, thus ensuring a common vision and approach and high standards of responsible behavior by the **whole Group**.

³ Intercos S.p.A., Intercos Europe S.p.A. and Cosmint S.p.A.

The Code of Conduct clearly expresses the **Vision** and **Mission** of Intercos Group (see the chapter “*The Group today – General information*” for more information). It constitutes an integral part of the **Organization Model** (pursuant to Legislative Decree 231/2001) adopted by the Parent Company and is intended to guide Intercos employees and collaborators in their relations with stakeholders, in their exercise of corporate values and principles and in pursuing the commitments contained in the Code of Ethics. In fact, the Code of Conduct sets out in detail the values and responsibilities that guide the Group in its relations with customers, its own **people, suppliers**, towards the **environment** and, in general, with those who share a legitimate interest in the Company (**competitors, shareholders, the finance administration, the public administration, trade unions and the community**), in all phases of their work. For example, for what concerns the company’s responsibilities towards its personnel, the Code of Conduct sets out the norms of conduct to be adopted during selection processes, the establishment of the work contract, the management of personnel issues including health and safety. The knowledge and observance of the Code of Conduct by all Group employees are decisive factors for ensuring **innovation, competitiveness**, the ability to anticipate **market developments, quality** and **value creation**.

PRIVACY GUIDELINES

Intercos, during 2018, has elaborated an update plan of its own Data Protection System in line with requirements of *General Data Protection Regulation* or *GDPR* (EU Regulation 679/2016) for all the Group Societies concerned by this rule. In particular, the Company has adopted a series of specific **guidelines with regards to personal data protection, among which the “Privacy Guidelines” and the “Data Controller Guidelines”**, aiming at raising awareness of people authorized to data control and training them on the GDPR requirements.

Principal risks and management approach

In 2020, the Intercos Group has introduced the **Internal Audit and Risk Management** corporate function. A **Risk Management Policy** has been issued in Q2 2021, in order to provide guidance on risk management and support the achievement of company’s objectives, protect staff and business assets and ensure financial sustainability. The Policy also covers **ESG risks**, mapped in the **Risk Register**, currently being defined. In order to improve the quality of risk disclosure, ESG risks – as identified in the Risk Register – will be included in the next years Intercos Group’s Sustainability Reports.

However, a list of the principal **non-financial risks** generated or suffered by Intercos, through its activities and along the value chain, are summarized below, as well as the main management approach to face such risks.

Risk	Description of the risk	Management approach
Environment		
Risks related to the procurement of raw materials along the value chain	The cultivation of palm oil (of which Intercos uses some derivatives) in some specific regions of the world, caused and continues to cause deforestation issues, with consequent impacts on climate change and on the loss of biodiversity.	<ul style="list-style-type: none"> • Adhesion to Roundtable on Sustainable Palm Oil (RSPO) since 2017 • Drafting and communication of an <i>Annual Communication on Progress (ACOP)</i> starting from 2020, as Ordinary Member of RSPO** • Adoption of a Sustainability Policy at Group level* • Adoption of a Corporate Environmental Policy at Group level* • Adoption of a Corporate Policy for Sustainable Sourcing at Group level*
Risks related to the mismanagement of the hazardous substances	The use of chemicals, whose use is limited and regulated by EU and international regulations (e.g. REACH), may be potentially harmful to the environment.	<ul style="list-style-type: none"> • Adoption of an environmental management system, according to ISO 14001:2015 standard, in some Group’s sites • Adoption of local procedures to correctly manage chemical substances • Adoption of a Sustainability Policy at Group level* • Adoption of a Corporate Environmental Policy at Group level*

Risk	Description of the risk	Management approach
Risks related to mismanagement of waste	Activities involving the handling, collection and disposal of waste and hazardous substances may potentially result, if not accurately managed, the contamination of soil, surface or underground waters due to spills on the ground, and impacts related to the incorrect disposal of waste could have been recovered.	<ul style="list-style-type: none"> • Adoption of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites • Adoption of local procedures to correctly manage waste • Adoption of a Sustainability Policy at Group level* • Adoption of a Corporate Environmental Policy at Group level*
Risks related to the mismanagement of climate change emissions	The absence of an emissions management program could expose the Group to a potential reputational and legislative risk when called to report its environmental performance because of the increase in international, European and national pressures on this issue	<ul style="list-style-type: none"> • Adoption of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites • Development of specific projects aiming at the energy efficiency • Adoption of a Sustainability Policy at Group level* • Adoption of a Corporate Environmental Policy at Group level*
Risks related to the mismanagement of air pollutant emissions	The emission of substances could cause, if the appropriate rules are not applied, impacts connected to air pollution and, in particular emergency conditions, also harmful effects for the people and the environment surrounding the emission point.	<ul style="list-style-type: none"> • Adoption of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites • Adoption of local procedures to correctly manage air pollutant emissions • Adoption of a Sustainability Policy at Group level* • Adoption of a Corporate Environmental Policy at Group level*
Risks related to the mismanagement of water discharges	The disposal of wastewater could potentially generate, if not appropriately managed, the pollution of the ground, of surface water or of groundwater, due to malfunctions or breakages in the treatment systems.	<ul style="list-style-type: none"> • Adoption of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites • Adoption of local procedures to correctly manage water discharge • Adoption of a Sustainability Policy at Group level* • Adoption of a Corporate Environmental Policy at Group level*
Human rights		
Risks related to the mismanagement of employees' health and safety	Specific production activities (for example manual handling of heavy loads, exposure to potentially dangerous chemicals) may impact on employees' health and safety.	<ul style="list-style-type: none"> • Definition of a Global Safety Network, a working group formed by HSE responsables of all Group's subsidiaries • Adoption of a health and safety management system ISO 45001:2018 in some Group's sites • Adoption of the SA8000 management system for the human rights protections and the health and safety within the Chinese sites • Adhesion to the Sedex Members Ethical Trade Audit (SMETA) network for some Group's legal entities, which allows periodical audits regarding human rights and health and safety of employees • Adoption of local procedures to correctly manage health and safety aspects • Adoption of a Corporate Sustainability Policy at Group level*
Risks related to non-compliance in terms of human rights	The different human rights laws in force in the countries where Intercos operates could challenge Intercos' ability to verify that the Group's standards are equally respected by all companies and suppliers.	<ul style="list-style-type: none"> • Adoption of the SA8000 management system for the human rights protections and the health and safety within the Chinese sites • Adhesion to the Sedex Members Ethical Trade Audit (SMETA) network for some Group's legal entities, which allows periodical audits regarding human rights and health and safety of employees • Adoption of a Corporate Sustainability Policy at Group level*
Risks related to the violation of human rights along the value chain	The presence of two activities, mica extraction and the metallization process, present a high risk of violation of human and labor' rights along the supply chain.	<ul style="list-style-type: none"> • Adhesion to the Responsible Mica Initiative (RMI), organization that promote the transparent traceability of the mica extractive process, guaranteeing human rights within the areas subjected to such risk • Adoption of the SA8000 management system for the human rights protections and the health and safety within the Chinese sites • Adoption of a Sustainability Policy at Group level*

Risk	Description of the risk	Management approach
		<ul style="list-style-type: none"> Adoption of a Corporate Sustainable Sourcing Policy at Group level*
Workforce management		
Risks related to the difficulty of attracting qualified resources	Because of its B2B business model, Intercos cannot leverage the visibility of its brand, which, as it is not directly exposed to the end customer and potential collaborators, might be considered not too attractive. For this reason, Intercos finds some difficulties in attracting qualified resources.	<ul style="list-style-type: none"> Development of collaborations with schools and universities, organization of specialized trainings and promotion of employer branding in order to attract young people and professionals to the cosmetic sector and the Group Promotion of welfare programs and professional development for employees (welfare plans, trainings, performance assessments, internal mobility) Adoption of procedures at Corporate level for the correct management of all aspects related to the recruiting processes of resources Adoption of a Sustainability Policy at Group level*
Social impacts		
Risks related to non-compliance in terms of materials/ingredients management	The use of materials/ingredients constrained by norms and legislations and regulated at the European and international level.	<ul style="list-style-type: none"> Compliance with the European "Cosmetic Regulation" (Regulation EC no. 1223/2009) which norms, inter alia, the activities concerning the composition, labeling and packaging of cosmetic products Continuous monitoring of updates regarding the local and regional norms related to product safety Adoption of a Sustainability Policy at Group level*
Risks related to the incorrect management of regulated materials/ingredients at contract level	The use of materials/ingredients constrained by the customer at the contractual level in the so-called black lists, contain ingredients/substances that are not desired/limited by the customer and which may be subject to limitations in the future;	<ul style="list-style-type: none"> Compliance with the European "Cosmetic Regulation" (Regulation EC no. 1223/2009) which norms, inter alia, the activities concerning the composition, labeling and packaging of cosmetic products Continuous monitoring of updates regarding the local and regional norms related to product safety Adoption of the so-known black lists, defined by the clients during the ingredients selection processes and formulation Adoption of a Sustainability Policy at Group level*
Risks related to the incorrect product information	The dissemination of incorrect or partial information to B2B customers (for example on product labels), could harm the latter and, ultimately, the final consumer.	<ul style="list-style-type: none"> Compliance with the European "Cosmetic Regulation" (Regulation EC no. 1223/2009) which norms, inter alia, the activities concerning the composition, labeling and packaging of cosmetic products Continuous monitoring of updates regarding the local and regional norms related to product labelling Adoption of a Sustainability Policy at Group level*
Fighting against corruption and bribery		
Risks related to corruption	The risks associated to corruption derive from the nature and size of the organization, which operates in different countries, characterized by a different approach to the topic, both at the normative level and from an individual's behavioral point of view.	<ul style="list-style-type: none"> Adoption of an Organizational Model pursuant to Legislative Decree 231/2001 in Italy, and of specific guidelines that extend the Model to the foreign societies too Adoption of a Sustainability Policy at Group level* Adoption of the Ethical Code and communication about Ethical Values at corporate level* Adoption of the Code of Conduct at corporate level*

* These initiatives, despite the fact that they do not face punctually to the risks identified, could be identified as preparatory to the implementation of the initiatives already identified as replies to the risk, not yet actuated. The Sustainability Policy, for example, represents a preliminary formalization of the commitments.

** These initiatives are not yet in place, but they are planned to face the identified risks.

The customer health & safety

Coherently with its ethical values and fair behavior, Intercos guarantees the highest standards of hygiene and quality in all of its operations and activities, in order to protect the health and safety of the final consumers because, although not directly involved in the final choice of products' formulation, it is nevertheless responsible for their production process for realization. In order to protect the final consumer, the Group also considers it essential to guarantee the disclosure of complete and correct information to its B2B customers, through both marketing and labelling.

Within the **Code of Ethics** and **Code of Conduct**, Intercos describes its principles and values that are at the basis of its relations with all main stakeholders. As described in the following section, the Group practices policies that demonstrate its commitment to ensuring high quality standards for all its products and to adopting appropriate communication tools to inform the communities about the impacts deriving from its business.

To prevent any risk related to product safety, Intercos guarantees full compliance with applicable laws in all countries where it operates. For what concerns the cosmetics industry, the development, production and marketing of cosmetic products are normed by a particularly rigorous regulatory framework, guided at **European level by Regulation (EC) no. 1223/2009 the "Cosmetic Regulation"** which norms, inter alia, the activities concerning the composition, labeling and packaging of cosmetic products in order to facilitate their free circulation in the internal market of the European Union, as well as the criteria for safety assessment, in order to ensure greater protection of consumer health and safety. Non-clinical studies on the safety of cosmetic products are conducted, where applicable, in accordance with the principles of **good laboratory practice pursuant to Legislative Decree no. 50 of March 2, 2007 (Directives 2004/9 / EC and 2004/10 / CE)**.

Although Intercos is not directly responsible, in legal terms, for the impact of the products on the final consumer, the company is still required to guarantee compliance with the restrictions imposed by current regulations, as well as with customer blacklists in **ingredient selection** and **formulation processes**.

Consumers protection, from products formulation to their production and packaging

Intercos pays particular attention to the protection of consumers in all phases of the production process, from the selection of the **raw materials** to the formulation of the products, from their production to their packaging.

The selection of the ingredients is performed in compliance with both current **regulations** and **high-quality standards**. In addition, the company is committed to respecting the requests of its customers, who communicate any ingredients that they wish to avoid, in line with their own specific policies.

In order to be selected and purchased, all the raw materials offered by the suppliers are accompanied by an extensive documentation aimed at guaranteeing their technical characteristics, quality and safety. In particular, this documentation includes: the material safety data sheet, the technical information sheet, details on the composition of the substance, the certificate of origin, the declaration of conformity to the **REACH regulation**, as well as specific information related to the type of material (for example, the declaration of purity for pigments, the declaration of absence of asbestos for talc, etc.). The new raw materials, before they can be codified and used in the production process, must be tested in the laboratory and approved.

During the formulation process and before production at scale, all products are subject to a series of **tests**, depending on the category they belong to and the specific tests requested by the customer, as: *stability test* (it assesses how the quality of the product varies with time under the influence of a number of environmental factors), *challenge test* (carried out according to the ISO approach following a preliminary positive evaluation of the product's stability), *patch test* (to test any product's irritation effects on the skin), *microbiological in use test* (to determine the microbiological stability of the product), *ophthalmologic use test* (performed on products intended for the eye area) a *dermatological use test* (performed to test facial and lips products).

Anyway, depending on the claims that the customer wants to make on the product, specific **tests** and **studies** are carried out to support them.

Consumer protection through correct products information

In order to guarantee and document that the products complies with the requirements of European and international applicable legislations in terms of composition, safety and stability, the Regulatory Affairs Office, which is centralized at Group level, is responsible for the collection and evaluation of all data on the conformity of raw materials and cosmetic products with respect to current legislation, as well as for the preparation of the technical documentation necessary for the customers to sell the products and to respond to potential requests from the authorities. The Regulatory Affairs Office, in fact, prepares the **PIF (Product Information File)**, which is a collection of all the technical information available about the product and consists of the following main documents: quali-quantitative information on the formulation and ingredients, product specifications (bulk), specifications of raw materials, processing procedures, stability / compatibility results, safety tests results (including patch tests, challenge tests, microbiological in use test if necessary, ophthalmologic use tests if necessary), product safety assessment (CPSR - Cosmetic Product Safety Report) and finally all the tests that support particular claims (for example the test results for the determination of the sun protection factor, if necessary).

Product safety is strictly connected to product quality. As a demonstration of the primary importance given by the Intercos Group to ensuring product quality through its business development strategies, the company has adopted a **Corporate Quality Management System (CQMS)** for the unitary management of the quality system for all companies in the Group. In addition, the following companies have received the **ISO 9001 certification** on quality management along the production cycle: Intercos Europe and Cosmint in Italy; CRB in Switzerland; Tatra Spring in Poland; Intercos America in the USA; Intercos Technology, Intercos Cosmetics and Interfila Cosmetics in China.

Finally, the following companies have received the **ISO 22716** certification on compliance with **Good Manufacturing Practices** for the cosmetics industry: Intercos Europe and Cosmint in Italy; CRB in Switzerland; Tatra Spring in Poland; Intercos America in the USA; Intercos Technology, Intercos Cosmetics and Interfila Cosmetics in China; Intercos do Brasil in Brazil; Intercos Korea in South Korea.

During the three-years period 2018-2020, all the tests foreseen by the Intercos protocol have been performed on all the formulas (at formula scheme level).

It should also be noted that in the three-years period 2018-2020, neither episodes of serious undesirable effects pursuant to EU regulation 1223/2009 were reported, nor were any cases of non-compliance with respect to the dissemination of information and the labelling of products.

We Care For People

Intercos Group places great attention on the development of its employees and on the attraction of new talents, as these represent a fundamental resource for its business success, allowing it to innovate and adapt to customer needs. Intercos also promotes diversity (in particular, but not only, gender diversity) and values female talents, aiming at a sustainable and inclusive business growth.

The relevance attributed to development of Intercos' employees and promotion of diversity is explicitly mentioned in the **Code of Ethics** and **Code of Conduct**, which are valid at the Group level. Through these documents, Intercos underlines the value of human capital and shows the Company's commitments to guaranteeing that all its employees are provided with adequate information and training tools to cultivate their specific competences and are offered opportunities for professional growth, as well as a collaborative work environment, guaranteeing equal opportunities.

The Group also practices personnel management procedures that are translated into formalized tools for the regulation of the **external recruitment** and **internal mobility** processes, in accordance with the Company principles of **equality opportunities** and **anti-discrimination**.

Our talents are a resource

The management of the aspects linked to talents' attraction development are delegated to the central Human Resources function, which, in collaboration with the individual local units, ensures the correct application of Company policies and manages the **recruitment**, **training** and **career development** activities at the Group level.

The selection and internal mobility processes

The selection and recruitment processes are managed, according to the specific current needs, by the individual local units with the support, where necessary, of the Company's relevant functions or the Corporate Human Resources division. Furthermore, as a demonstration of the Group's commitment to contribute to the professional growth of its resources, Intercos promotes, where possible, internal mobility opportunities before considering the recourse to external recruitment processes.

Over the last few years, in Italy, Intercos has offered internal mobility paths for its employees who, after a specific selection process, had the possibility to undertake an international exchange experience with the Group's foreign subsidiaries. The employees who participated to this program had the opportunity to change Business Unit and deployment, thus enriching their personal and professional experience. Since its birth, the **International Mobility program** allowed several young talents to be granted with an experience in different countries, among them: USA, China, France and South Korea.

In order to attract qualified resources and increase the visibility of its brand, Intercos collaborates with schools and universities, organizes specialized courses and promotes an **employer-branding policy** to bring young people and professionals closer to the cosmetics sector and the Group.

Employee training

Furthermore, starting from 2019's last quarter, **Welcome Days** were introduced, a unique **induction day** organized at the headquarters in Agrate Brianza, dedicated to the new employees and designed to improve and make the onboarding process more efficient.

Sustainability and **Social Accountability** are among the corporate issues covered by the initiative, as well as a general presentation of the Company, an insight on employment relationship, policies and safety rules and main HR-related themes.

At present, the Welcome Day is scheduled for new employees at the offices in Agrate, Dovera and Romanengo (and, occasionally, Cosmint), but it will be gradually extended to the other Group's subsidiaries as well. New

employees receive also a **training program** based on the guidelines defined by the Group's Human Resources division. It includes main Welcome Day meetings, GMP (Good Manufacturing Practices) training registration and specific training modules based on the role and tasks to be performed by the new employee, defined locally by Company functions. The training program might be integrated with further meetings and inductions in case of strategic or high-level employees.

Professional development and **skills improvement programs** continue following the insertion phase. The Human Resources division carries out every year a planning of the training activities that aim to enhance, develop and retain talents within the Group. This activity is undertaken in collaboration with the managers of the various Company departments who have the task of identifying the training needs and objectives for all employees, depending on their area of expertise.

In Italy, Intercos offers two **trainings** about **effective communication**, aiming at improving communicational and relational skills with peers, bosses and clients, through useful methods to face the most critical and conflictual situations. The training intends to encourage a transparent dialog among colleagues, given that in order to find common solutions, people should know all points of view, and broaden perspectives.

In continuity with last year's program, Intercos kept on deploying "**Future Leader**" that, through a continuative path composed by a continuous assessment of competences and potentials, aims at building the future managers of the Group.

In Italy and Switzerland, for all managers, the Company has developed a training path in partnership with an external provider specialized in coaching and counseling for companies. The path is composed by two distinct training programs: "**Lead**" and "**Adventure Time**", replaced in 2021 by "**Red Carpet**". Since 2016, the Lead program has accompanied managers on their development path, providing meetings that address essential issues such as leadership and team working for a total training period that can vary between 15 and 18 months. Once completed the Lead program, managers' coaching goes on with Red Carpet, a training path that aims to show the main pillars of supportive leadership and coaching, plus a session dedicated to decision making.

Furthermore, for each training course, and especially in case of procedures or technical trainings, the manager of each course carries out a formal assessment in order to test their effectiveness and highlight potential improvement areas.

Performance evaluation

In order to develop their competencies and professionalism, most employees receive a formal **performance evaluation** with the aim of identifying improvement areas and / or evaluating, with the support of their manager, opportunities for horizontal (cross-functional) or vertical career growth. This process is managed centrally, through a specific IT system, but implemented by the various subsidiaries of the Group through local practices or procedures.

The Company welfare

In order to promote a good and healthy work environment, Intercos promotes specific **welfare programs** through which it offers services that balance working and private life to its employees, with a real money and time savings. Furthermore, Intercos considers Welfare as one of the pillars of the Company's remuneration package that contribute to the people's wellbeing and represents an attractive instrument for the Group's employee.

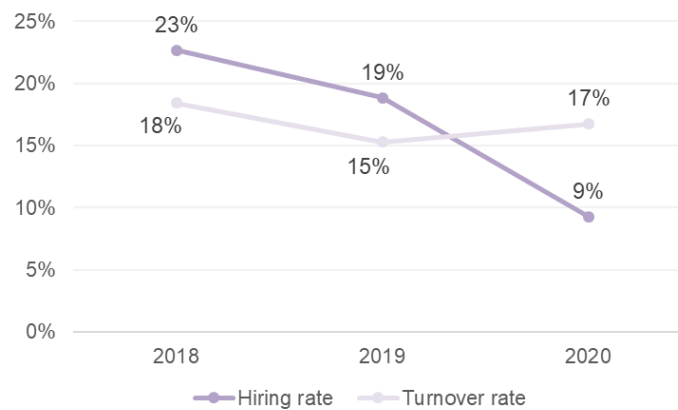
In Italy, Intercos has adopted a **Welfare Plan**, dedicated to Intercos S.p.A and Intercos Europe S.p.A. employees, aiming at giving them the access to advantageous, flexible and personal benefits in different areas: family, transports and mobility, house, healthcare, social services, sport and free time. Finally, to promote the program, Intercos periodically organizes the so-known "**Welfare day**", in order to promote the welfare services for our employees: such events are useful to assess the Group services' quality and contribute to continuously improve its offer.

In China, a specific Welfare Plan is defined and managed together with labor unions. The principal benefits, not required by the national law, are focused on different areas, such as: work, healthcare, mobility and free time.

The Figure 3 highlights data on the rate of new employee hires and turnover rate in the three-year period 2018-2020. In 2020, **386** new units have been hired (-45% with respect to 2019), and **650** contracts ended (+14% with respect to 2019). The highest hire rate was recorded in South Korea (46.7%), followed by Brazil (19.1%) and the Rest of Europe (18%); the highest turnover rate was registered in South Korea as well (50.4%), followed by the USA (35.8%) and Brazil (30.9%).

Table 14 and Table 15 (see Appendix) report detailed data on the total number and rate of new employee hires and turnover in the three-year period 2018-2020, broken down by geographical area, gender and age group.

Figure 3 – Hiring rate and turnover rate⁴



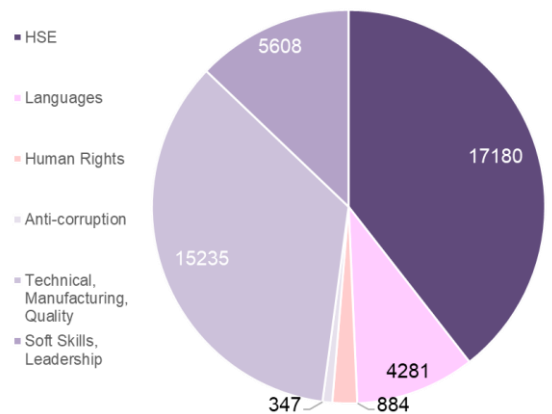
For what concerns the information related to employee training and development, the figures and the table below show the training hours by subject, the average hours of training by region, gender and employee category and the percentage of employees who received a performance evaluation during the year.

During 2020, a total of approximately **43,535** hours of training were provided (**12.1** hours of training per employee), mainly concentrated on the enhancement of technical-professional skills (hard and soft skills) and on health and safety issues.

Training activities significantly involved employees in Italy and Brazil, where an average of **14** and **21.1** hours of training per capita were provided respectively. Further details are illustrated in the Appendix (see Table 16 and Table 17).

The decrease in hours of training between 2019 and 2020 is highly influenced by the **COVID-19 pandemic**, which slowed down the training activities during the entire year.

Figure 4 - Training hours, by subject - 2020



⁴ South Korea is not included in the figure, since a three-year period trend is not available. The employee hire rate for 2020 is 47%, whereas the turnover rate is 50%.

Figure 5 - Average training hours per employee, by gender

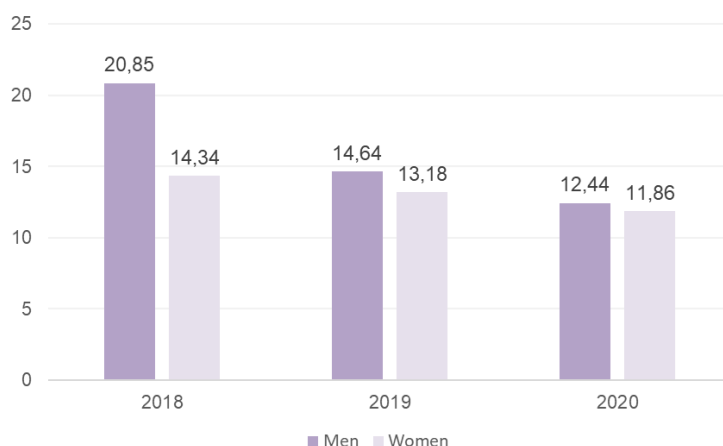


Table 1: Average training hours per employee, by region and employee category⁵

Category	Year	Directors & Executives	Managers	Employees	Workers	Total
Italy	2018	8.9	26.6	28.0	20.8	24.2
	2019	26.3	47.5	17.8	17.7	19.8
	2020	17.1	40.4	13.1	11.4	14.0
Rest of Europe	2018	2.3	15.6	16.5	9.5	12.8
	2019	3.2	16.8	12.7	10.5	11.6
	2020	2.8	7.3	8.6	6.2	7.0
USA	2018	4.2	24.5	23.0	2.2	9.2
	2019	4.4	24.1	19.8	2.3	8.2
	2020	1.6	13.0	14.1	0.6	5.2
Brazil	2018	10.0	4.6	37.3	44.3	37.7
	2019	10.7	4.9	37.5	35.2	32.9
	2020	5.3	8.0	22.1	23.1	21.1
China	2018	18.8	31.0	14.3	7.9	10.8
	2019	6.5	17.9	9.4	6.5	7.8
	2020	5.1	8.5	7.3	11.7	10.2
South Korea	2018	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A
	2020 ⁶	33.3	33.3	33.3	33.3	33.4
Total	2018	8.8	25.6	22.6	12.4	16.7
	2019	14.9	30.5	15.6	10.8	13.7
	2020	9.9	19.1	10.3	9.1	12.1

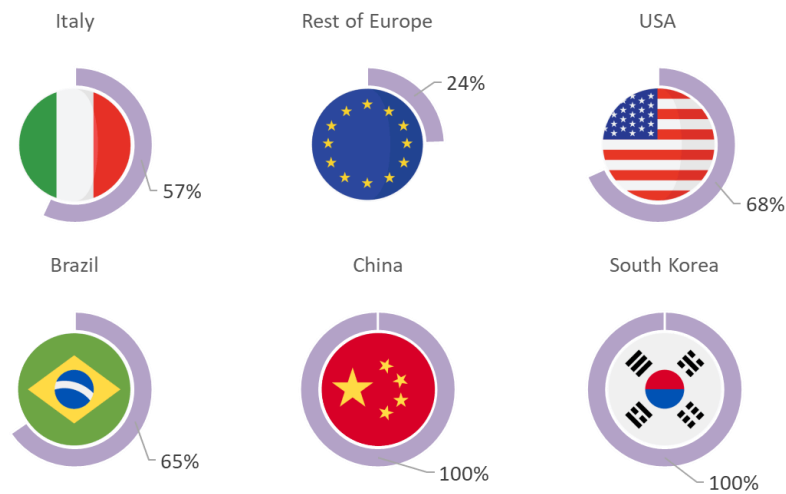
Performance evaluation is carried out heterogeneously in the different countries where Intercos operates. In 2020, China and South Korea are the countries where the performance assessment process is more widespread, with **100%** of employees receiving a feedback on their performance during the year. It should be noted that the most significant changes are due to the fact that the performance evaluation process (i.e.

⁵ For companies abroad, the categories correspond to the following: *Directors & Executives, Managers, Employees and Workers.*

⁶ The subdivision of the training hours by employee categories has been estimated since the data are not available. The estimation is made basing on the employees distribution among employee categories.

Intercos Annual Review or IAR) only includes employees with a seniority of 12+ months and that this process was concluded in May, reporting year, as opposed to the number of employees, counted on December 31st of the same year. Further details are illustrated in the Appendix (see *Table 18*).

Figure 6 - Percentage of employees receiving regular performance review, by region - 2020



We Value Diversity

Gender diversity represents a distinctive element for the Company and a strength in the entire industry, generally oriented towards the female world.

The Intercos Group is indeed traditionally characterized by a strong presence of **women**, not only among its employees and workers, but also at the managerial level, albeit to a different extent depending on the functions and geographical area of reference. For Intercos, diversity is a value, also guaranteed through the Company's policies, which condemn all forms of discrimination in all phases of the employment relationship, with particular reference to employee selection and development processes, the establishment of the employment relationship and training and education.

Furthermore, Intercos commits to preserve **diversity** also outside the Company perimeter, through the promotion of specific paths aiming at **recruiting** and **including** people in **social unfavorable conditions** within the Group.

Our Solidarity recruiting programs

Intercos Group is aware of its contribution to the development of the local communities where it operates and it's aware of being responsible for people who are too often disadvantaged. For this reason, the Group promotes **solidarity recruiting programs** and supports **NGOs** or **local organizations** operating in the Countries where it operates.

As of December 31, 2020, and in line with 2019, about **30%** of Intercos Group's employees (Full-Time Equivalent) belong to one of the following categories:

- *People with disabilities;*
- *Disadvantaged or very disadvantaged people*;*
- *Veterans;*
- *People belonging to minorities**;*
- *People living in socially vulnerable neighborhoods.*

Moreover, in 2020, Intercos has been awarded by the **UNHCR** (United Nations Refugee Agency) with the “**Welcome. Working for refugees integration**” 2019 award, thanks to the project “**Without Borders**”, launched in **2018** together with an external specialized society and renewed in **2019**. Unfortunately, due to the exceptional nature of the past year caused by the spread of the COVID-19 pandemic, the project “Without Borders” has been put on standby during 2020.

Thanks to the collaboration with local authorities and associations, the project has allowed the initiation of numerous contacts with **refugees** in the territories of **Agrate** and **Dovera**, offering them the opportunity to attend training courses aimed at teaching the skills and abilities necessary to become operators in production, warehouse, industrialization and technical services. During the courses, people had the opportunity to visit the two plants, talk to reference managers and be evaluated by their tutors. Between 2018 and 2019, after the initial internship, **15 people have been hired, with agency contracts**.



In the **United States**, in continuity with previous years, Intercos promotes the Company onboarding of **military veterans** with technical skills and abilities suitable for the Company’s type of business, who would otherwise have had difficulty to find a job.

In recent years, various collaborations have also been activated with associations that assist refugees from war zones who may have technical skills that can be spent within the Company, a process that has led to the recruitment of veterans and war refugees from Syria, Iraq and Afghanistan in Intercos’ America plants.

In continuity with previous years, Intercos promotes specific solidarity recruiting initiatives in **Brazil** as well through the “**Contratar Legal**” project, dedicated to economically vulnerable communities in the city of **Atibaia**.

* according to the definitions of the Italian Ministerial Decree of October 17, 2017.

**meaning people less in number to the rest of the population of a state; in a non-dominant position; possessing characteristics differing from those of the rest of the population; accessing a job they are recognized as usually discriminated against.

The support to foundations and associations

Intercos Group promotes several initiatives for the development of communities and the support of **local associations** and **foundations**. Among them:

- **SWIM Project** - Intercos supports **SWIM (Safe Women In Migration)**, a European project coordinated in Italy by L’Albero della Vita Foundation. SWIM aims to contribute to the protection of **migrant and asylum seeker women and girls** who are victims and at risks of **gender-based violence** by addressing some of the most urgent needs identified by all partners in five European countries;
- **Magica Cleme Onlus** - Once upon a time, there was Clementina, a little girl who passed away. She gave her parents a task: to entertain all sick children like her in order to help them forget about hospitals and invasive therapies. Since **2011**, Intercos has opened the **Agrate** and **Dovera** sites’ doors, giving the children and their families access to the “makeup factory” for an entire day. Such responsibility is a sincere commitment the Company has maintained, except for 2020, as the COVID-19 pandemic did not make it possible;
- **Day Care Center “Le Coccole”** – There is a day care center located near the Agrate site. The Company has contributed to its construction and creation in **2007**. Since the 2017/2018 school year, Intercos has granted the admission to at least five employees’ children.



The table below provides information on Intercos' workforce, broken down by gender, category and age group. The highest percentage of women executives is found in Brazil, where it stands at **67%**. At the managerial level the highest female share is recorded in Brazil as well (78%), followed by the United States (71%) the Rest of Europe (70%). Minimal shifts between geographical areas are recorded as far as employees are concerned in terms of female presence: China leads by a solid **80%**, followed by the Rest of Europe (76%), Italy (72%) and Brazil (69%). Finally, among blue-collar workers, the largest female presence is found in Brazil (**79%**), followed by China and the Rest of Europe (65%). Further details are illustrated in the Appendix (see *Table 19*).

Table 2: Percentage of employees per employee category, by gender and age group

Category	Gender	Age group	Total		
			2018	2019	2020
Directors & Executives	men	< 30 years	0%	0%	0%
		30 ≤ x ≤ 50	32%	26%	31%
		> 50 years	28%	28%	28%
	women	< 30 years	0%	0%	0%
		30 ≤ x ≤ 50	27%	31%	29%
		> 50 years	12%	15%	13%
Managers	men	< 30 years	0%	0%	0%
		30 ≤ x ≤ 50	25%	29%	27%
		> 50 years	13%	13%	11%
	women	< 30 years	7%	1%	2%
		30 ≤ x ≤ 50	48%	48%	50%
		> 50 years	7%	8%	10%
Employees	men	< 30 years	7%	7%	6%
		30 ≤ x ≤ 50	17%	17%	18%
		> 50 years	4%	5%	4%
	women	< 30 years	19%	20%	19%
		30 ≤ x ≤ 50	45%	43%	46%
		> 50 years	9%	8%	8%
Workers	men	< 30 years	11%	9%	10%
		30 ≤ x ≤ 50	22%	23%	25%
		> 50 years	8%	7%	7%
	women	< 30 years	13%	13%	11%
		30 ≤ x ≤ 50	36%	38%	38%
		> 50 years	9%	9%	9%

The following table shows the ratio of basic salaries of women to men in the various regions in which the Group operates and based on the contractual categories. The highest deviation is found, for what concerns Directors and Executives, in **China**, where the ratio of the basic salary of women to men is **63%** (South Korea is 0% because no Directors nor Executives are women). At managerial and employee level, however, the Rest of Europe is the geographical area where the deepest differences are recorded, with a ratio equal to **80%** and **83%** respectively, as well as South Korea for the employee category. Finally, with reference to workers, again the Rest of Europe records the greatest difference in terms of basic salary between women and men, with a ratio of **59%**. In Brazil, on the contrary, a female manager earns an average 30% more than the male counterpart, while in the United States a female employee earns an average 3% more than the male counterpart. It should be noted that, as opposite to what happened in Brazil in 2018, in no country does women's basic salary exceed that of men for all contractual categories, while in all countries this occurs for at least one category, with the exception of Italy and China. As regards the overall remuneration of executives and managers, the countries where women's salary is higher than men's are the **United States** (only for managers) and Brazil, while in Italy it is lower for both categories. For further details on the ratio of remuneration, see *Table 20* in the Appendix.

Table 3: Ratio of basic salary of women to men

Countries	Year	Directors & Executives	Managers	Employees	Workers
Italy	2018	0.82	0.93	0.99	1.02
	2019	0.82	0.84	0.97	0.95
	2020	0.71	0.89	0.97	0.95
Rest of Europe	2018	1.09	0.75	0.77	0.56
	2019	0.85	1.07	0.97	0.77
	2020	1.03	0.80	0.83	0.59
USA	2018	0.98	0.58	1.04	0.84
	2019	1.04	1.03	1.11	0.91
	2020	0.99	1.02	1.03	0.82
Brazil	2018	1.47	1.20	1.04	1.02
	2019	1.08	1.25	0.94	0.64
	2020	1.08	1.30	0.90	0.83
China	2018	0.96	1.06	0.96	0.85
	2019	0.74	1.00	0.95	0.85
	2020	0.63	0.92	0.90	0.84
South Korea	2018	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A
	2020	0.00	0.95	0.83	1.00

It should be noted that no incidents of discrimination were recorded in the three-year period 2018-2020.

Protecting human and labor rights

Ensuring the respect of human and labor rights in the conduction of all business activities is a priority for the Group, also considering the fact that it operates in geographical contexts characterized by different socio-economic contexts, which are not always aligned to the highest international standards of human rights protection. Intercos condemns child and forced labour and commits to ensuring the right to a safe and healthy working environment. Indeed, employees' and workers' well-being is not only a moral principle but also the key to all individuals' and the Company's successful performance.

For what concerns the protection of human and worker rights within the Company itself, in the **Code of Ethics** and in the **Code of Conduct** Intercos declares its commitment to:

- promoting throughout the Group the application of the principles established by the international standard **SA 8000** on the respect for human and labor rights, the protection against the exploitation of minors and the need to guarantee safety and well-being in the workplace;
- safeguarding the physical and moral integrity of Intercos' people by ensuring a healthy and safe, serene and motivating work environment;
- consolidating a culture of safety through awareness, information and training programs and the involvement and empowerment of workers and anyone participating in the Company activities, at all levels;
- seeking the continuous improvement of health and safety performance through objectives and targets that are periodically reviewed.

In addition, the Group makes clear its commitment to pursue continuous improvement of workplace health and safety conditions in its **Health and Safety Policy**.

The Global Safety Network

With the aim of improving performance at Group level on health & safety aspects, during **2018** the Corporate function Global Industrial Operations, in charge of health and safety management, has defined a **Global Safety Network**, working group composed by **HSE managers of different Intercos Group subsidiaries**, aiming at:

- developing a **Corporate Health and Safety Policy**, which was adopted at the end of 2018;
- defining common indicators for the measurement of impacts related to health and safety topics, as the so-called **Total Incident Rate (TIR)**, which was implemented at the end of 2018;
- developing **procedures** dedicated to health and safety aspects **at Group level**.

Therefore, Intercos adopts suitable safety systems with the aim of assessing the importance of the **impacts and risks** associated with production activities and, with regard to the activities related to the physical security of production sites, of guaranteeing the protection of industrial sites and people (workers and visitors).

To this aim, safety education programs for workers and updating programs for safety operators are defined and implemented. In this regard, it should be noted that during 2020 a total of approximately **17,180 training hours** were provided at Group level.

In Italy, Intercos complies with the applicable European and national legislation on health and safety management in the workplace, i.e. **Legislative Decree 81/2008** (and subsequent updates). As required by the Decree, the Company carries out a periodic analysis of the risks related to the production activities and of the preventive/protection measures implemented; drafts a **Risk Assessment Document** that is periodically revised and updated by multi-stakeholder group composed by the Employer, the Executives, the Prevention and Protection Service, a competent doctor, external consultants and the workers' representatives. Among Company's good practices, the installation of an automatic distributor of **Personal Protective Equipment (PPE)** at the Dovera site, carried out in 2019, should be noted.

In 2020, in addition to managing the risks associated with the COVID-19 pandemic, the Company further strengthened its efforts to minimize the health and safety risks associated with its production activities. In particular, in Italy and China the Company has started implementing a **behavior-based safety approach**, aiming to further reduce the risk of incidents by promoting openness, care, observation, and behavior reinforcement.

Moreover, the companies Intercos Europe, Cosmint, CRB, Tatra Spring, Intercos America, Intercos Technology, Intercos Cosmetics, Interfila Cosmetics, Intercos do Brasil and Intercos Korea have joined the **Sedex Members Ethical Trade Audit (SMETA) network**, and are therefore subject to audit in order to guarantee compliance with all the requirements regarding human and workers' rights (in particular, the absence of episodes of child labor and forced labor, the respect of working hours and minimum wages, the freedom of association, as well as the compliance with adequate hygiene and health requirements).

In Italy, Cosmint S.p.A. at the end of 2018 obtained the **ISO 45001 certification** certifying the adequate management of health and safety in the workplace.

In China, a country characterized by greater regulatory flexibility, Intercos has started a process to ensure the application in its local branches of the highest international standards in regard to the respect for human rights and labor rights. To date, the company Interfila Cosmetics in Shanghai owns the **ISO 45001** certification, which attests to an adequate management of health and safety in the workplace. In addition, Interfila Cosmetics, Intercos Technology and Intercos Cosmetics have obtained the **SA 8000 certification**, which attests to their compliance with the main international standards on human rights (child labor, forced labor and retribution) and on health and safety in the workplace.

In Italy and China, the two countries where the Group is primarily present, the Company constantly monitors human rights through specific initiatives (adhesion to **Sedex Network**) and the adoption of dedicated **management systems** (SA 8000, ISO 45001). Furthermore, Intercos continuously supervises such aspects through **periodical audits** (SMETA audits in Italy, Switzerland, Poland, USA and China, and SA 8000 audits in China as well).

The following tables report the main performance indicators related to occupational health and safety, namely the worked hours, the total number of recordable work-related injuries and the rates of recordable work-related injuries, of high-consequence work-related injuries and of fatalities. All the indicators are reported both for the employees and for the workers who are not employees, that are all the workers (excluding employees) whose work, or workplace, is controlled by the organization. During 2020, there were **no significant issues concerning employees' health and safety within the Group**. In particular, **28** accidents were recorded (of which **none of them were fatal**) between the employees, a decrease compared to 2019 (35), with a frequency rate of **3.8** (4.6 in 2019) and a severity rate of **0.3** (0 in 2019). Further details are illustrated in the Appendix (see *Table 21* and *Table 22*).

Table 4: Occupational health and safety – Employees and Workers who are not employees

Indicator	u.m.	EMPLOYEES - TOTAL			WORKERS WHO ARE NOT EMPLOYEES - TOTAL		
		2018	2019	2020	2018	2019	2020
Year		2018	2019	2020	2018	2019	2020
Worked hours	h/000	7,634	7,619	7,279	2,147	2,900	2,351
Total number of recordable work-related injuries, including fatalities	n.	34	35	28	38	29	20
<i>of which commuting incidents occurred during a transport organized by the Group</i>	n.	6	12	2	16	18	11
<i>of which high-consequence work-related injuries (>6 months of absence), excluding fatalities</i>	n.	1	0	2	1	0	0
<i>of which fatalities</i>	n.	0	0	0	0	0	0
Rate of recordable work-related injuries	-	4.5	4.6	3.8	17.7	10.0	8.5
Rate of high-consequence work-related injuries	-	0.1	0	0.3	0.5	0	0
Rate of fatalities	-	0	0	0	0	0	0

We Believe in Sustainable Beauty...

...from product design

In conducting its business, Intercos Group manages thousands of raw materials and semi-finished products that come from different parts of the world and are extracted, processed and produced in territories that are characterized by more or less relevant environmental pressures, depending on the country of origin / processing. For this reason, the procurement of raw materials and other product components, such as packaging materials and labels, as well as their management, transformation into finished products and possible disposal are an element of fundamental importance for the Group.

The procurement of raw materials

Raw materials selection and codification processes apply, at the Group level, to both the raw materials purchased by the Company and those specifically requested by the customer and sent to contractors. Following the receipt of a purchase request for a specific raw material, the Raw Materials Office evaluates the possible suppliers and requests a sample that must be accompanied by a set of documentation of various type including, in addition to the technical and toxicological documentation, the declaration of **REACH** compliance, **MSDS**, **RSPO** and **RMI** certifications, where applicable. Following the verification of the documentation, the Raw Material Office sends the raw material to the laboratory for possible tests and finally, after its approval, it activates the codification process by entering the specific information of the raw material in the Company database.

Proving its commitment to guaranteeing the respect for the environment, Intercos has adopted a **Group-wide selection and qualification process for new suppliers** which is also based on environmental criteria and which aims at evaluating how suppliers commit to manage and monitor environmental issues.

Joint Lab project

In March 2021, Intercos Group has signed a five-year agreement with the **University of Milano-Bicocca** to team up in conducting scientific research on **formulations** and **sustainable processes** aimed at developing **innovative beauty products**.

A **shared laboratory** hosting researchers and tech equipment from both parties will also be established on one of the university's campuses, specifically the one at Vedano al Lambro, a 20-minute drive from Intercos headquarters.

Dubbed "**Joint Lab**", the laboratory will officially kick off its activities in **September 2021**. The initial, shared investment in the operation has been more than 1 million euros.

A technical scientific committee comprising **four representatives** of each party will set the general guidelines for the development of activities and definition of operational projects.

During 2020, Intercos Group's Makeup and Skincare segments used almost **4,000 tons of raw materials** in their production processes. Almost **44%** of the raw materials used for the crafting of their products are **synthetic** and includes silicones, solvents, polymers, synthetic waxes and viscosizers; **natural** raw materials⁷, that represent approximately **45%** of the total supplied, are **100% renewable**⁸, since the whole amount purchased is of **plant origin**.

With reference to the raw materials purchased from Cosmint and Tatra Spring (Hair, Personal Care & Fragrances segment), companies that operate mainly for third parties, it should be noted that, out of a total of **10,047 tons**, **78%** is made up of **natural** raw materials, **7%** of **inorganic** raw materials and **15%** from **synthetic** raw materials. **Renewable** raw materials, mostly made up of alcohol, are estimated to be about **64%** of the total purchased.

Figure 7 - Materials used (tons)⁹



Raw materials	Quantity (tons)		
	2018	2019	2020 ¹⁰
Total natural raw materials (include esters, emulsifiers, active ingredients, fatty alcohols and acids, etc.)	1,109	897	1,786
Total inorganic raw materials (include inorganic fillers, natural mica-based pearls, inorganic colorants, sunscreen physical agent, etc.)	1,579	1,300	449
Total synthetic materials (include silicones, solvents, polymers, synthetic waxes, rheological mods, etc.)	2,012	2,044	1,728
Total	4,701	4,240	3,963

⁷ Raw materials derived from resources whose consumption is rapidly compensated by ecological cycles or agricultural renewal processes, so that the services provided by those and/or other related resources do not deplete and remain available for future generations.

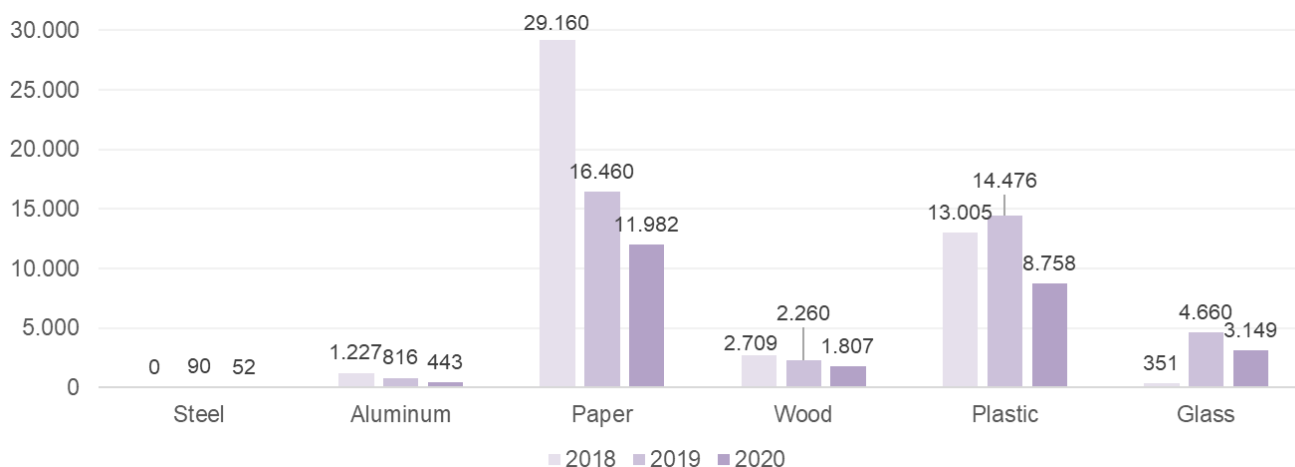
⁸ Starting from 2020, the methodology followed to represent raw materials data has been partially revised to provide a more accurate e detailed classification (for all Intercos Group's legal entities, except for Cosmint and Tatra Spring). Moreover, for what concerns the definition of renewable raw materials, a new criterion has been adopted: all natural raw materials of plant origin are considered as renewable. This approach is in line with the one used by other companies operating in the beauty and cosmetics sector. Instead, for 2019 and 2018 data, only these natural raw material categories have been considered renewable (2018: 121 tons; 2019: 105 tons): Vegetal oil, Vegetal waxes, Vegetal derived oil and Organic oil (Bio).

⁹ The data in the chart make reference to Intercos Group's Makeup and Skincare segments, and thus exclude Hair & Body segment, the data of which are available starting from 2019 and are directly reported in the text.

¹⁰ The data referred to 2019 and 2020 exclude Intercompany transfer of raw materials. Furthermore, Korea is included within the perimeter from the 1st January 2020.

In its production process, the Intercos Group also uses primary packaging, mainly composed of aluminum, paper, wood, plastic, glass and steel. In particular, in 2020 the most used materials were **paper (46%), plastic (33%) and glass (12%)**. Further details are illustrated in the Appendix (see Table 23).

Figure 8 - Types of packaging purchased (tons)¹¹



The Clean Revolution

As part of its sustainability path, Intercos has launched in March **2019** its **Clean Collection**. The Collection represents the sustainability vision of the Company applied at product level, and embraces all Group's business segments (make up, skincare, hair, personal care & fragrances).

The Clean Collection is essentially based on **three fundamental pillars** that characterize the product supply:

- **GOOD FOR YOU:** *Clean* products are based on a clearly defined **Clean List**, to avoid the use of any **controversial ingredients** and promote the "less is more" philosophy, thus enhancing trust and transparency to end users, simplifying manufacturing processes and decreasing regulatory requirements;
- **GOOD FOR LIFE:** *Clean* products guarantee respect for the rights of the communities where the natural materials are sourced, by adopting **100% RSPO and RMI certified palm oil and mica** and by selecting and monitoring **suppliers ethical performance** in terms of safety, human rights and compliance with local legislation. In addition, *Clean* products are **100% vegan** and thus **cruelty-free**;
- **GOOD FOR THE PLANET:** *Clean* also means innovating while reducing the **Carbon Footprint** and safeguarding the environment. For this reason, *Clean* products will be produced by promoting the use of **recycled ingredients** (for example by-products from the food industry), reduction of water consumption and the selection of **locally sourced**, alternative, biodegradable, **recycled and/or recyclable packaging materials**.

¹¹ The data referred to 2018 have been estimated and exclude packaging purchased from Cosmint and Tatra Spring Polska, whose data are available from 2019. Furthermore, the data referred to 2019 exclude the amount of packaging purchased from the client and made freely available to Intercos (free issue material), intercompany packaging transfers and final products whose purchase is made from suppliers explicitly identified by the clients. In addition, data 2020 do not include South Korea ones, as not available.

4 Pillars for formulations

Intercos Group's **Clean List** has to be considered as a “**minimum**”, as it contains no controversial ingredients while maintaining high performance efficacy.

In 2020, the Group has also developed **other clean concepts**, which take into account not only the evolutions in the regulatory environment but also consumer perceptions, expectations of ingredients as well as innovations at the heart of Intercos.

Hence, a formulation strategy based on the following **4 pillars** has been defined:



- 1) **Clean Magnifique.** The idea for “clean magnifique” is to have products tailored for the **most demanding markets**. Intercos needs indeed to anticipate by monitoring the ingredient horizon so to make formula proposals which adapt to this ever-changing landscape whilst simultaneously catering for client needs. **Consumer perception** is now fast becoming the new “regulation” which drives many ingredients to become controversial adding pressure to remove them from cosmetic products. On top are **environmental concerns**, e.g. *microplastics*, which drive legislators to act quickly in the face of public and media pressure. To keep up with this evolving landscape, additional ingredients of concern will be progressively added to the “Clean Magnifique” pillar.

SAFETY <ul style="list-style-type: none">• No “nanoparticles” inhalable products• BHT Traces in raw materials<ul style="list-style-type: none">• Phenoxyethanol• Some Mineral Oils• Fragrance Allergens	ENVIRONMENTAL <ul style="list-style-type: none">• Microplastics• Chemical UV Filters• Cyclosiloxanes (D5, D6)
CLEAN CONCEPT CRUELTY FREE VEGAN <ul style="list-style-type: none">• Animal origin ingredients	CONSUMER PERCEPTION <ul style="list-style-type: none">• No “nanoparticles” inhalable products• EDTA chelating agent<ul style="list-style-type: none">• Parabens• Talc• Some Mineral Oils

2) **Pure Clean.** “Pure Clean” is based on the Intercos’ **Clean Collection** pillars for sustainability beauty.



To be defined as “Pure Clean”, a product must be free of all banned ingredients listed on the Intercos Clean List and be the following: *Vegan, RSPO-certified (min. mass balance), gmo free, paraben free, clean of fragrance (including allergens), clean of nano, clean of d5, no cannabidiol, coral reef friendly (i.e. no chemical UV filters)*. The following claims can be used: clean of talc, clean of microplastic, clean of silicones, clean of PEG.

3) **Sephora Clean.** Sephora, being a retailer, has their own set of requirements for customers which, when compliant, enables the latter to sell their products in Sephora stores. **Retailers** create their own regulatory “micro-climate” which often go **above-and-beyond the actual regulations**. Equally, they can change their requirements with little notice and at will rendering products once compliant possibly no longer.

As a condition of participating in Sephora’s Clean at Sephora campaign, brands must formulate products without: *sulfates, parabens, mineral oil, Retinyl palmitate, aluminum salts, MIT, nano’s* etc. Including Sephora Clean into Intercos 4 pillars enables Intercos to **tailor formulations for the retailer environment**.

4) **Clean Tech.** Clean Tech allows Intercos to formulate within its **Black List** and gives R&I freedom to navigate in this space to go beyond, developing new novel ingredients, product formats etc. Formulas belonging to this pillar are created to reach the **highest levels of innovation and performance**, while respecting aspects of the clean pillars.

At least one of the following claims must apply and be highlighted in the formula in order to be defined as Clean Tech: *Vegan, RSPO, GMO free, clean of talc, clean of fragrance, clean of microplastics, clean of silicones, clean of D5, Clean of PEG, Clean of TEA, clean of chemical UV filters*.

Sustainable Packaging

Sustainable packaging is one of the major trends the cosmetic industry is experiencing, since the topic is more complicated than what could seem, and highly requested at the same time. In the rush of promoting sustainable options it’s easy to fall in the so-called “green washing” practice, for example:

- A simple claim like “*eco-friendly*” may convey that the product has no negative environmental impact, which is highly unlikely to be supported. Better to say “Eco-friendly: made with recycled materials”;
- “*Compostable packaging*”: the claim is not deceptive if the whole packaging can be converted safely to usable compost in a timely manner in a home compost pile or device;
- “*Recyclable*”: a package should not be marketed as recyclable unless it can be collected, separated, or otherwise recovered from the waste stream through an established recycling program.

In order to avoid greenwashing, Intercos Group is concretely working, both internally with core functions and externally **with its suppliers**, on the following sustainable packaging categories:

- **Recyclable** packaging, in particular *monomaterials* or *easily disassembled*;
- **Recycled** packaging, with a focus on *Post-Consumer Recycled (PCR) plastic*;
- Packaging from **renewable sources**, with options made of *biodegradable* raw materials;
- Packaging with a **reduction of waste/CO2 emissions**, including *refillable* and *plastic weight-reduced* packaging options.

Shaping a more circular economy

Innovation at Intercos Group looks at **product circularity** principles.

Intercos has indeed joined in **2018** a program named **CirCo (Circular Coffee)**, involving different academic and industrial research groups and aims at creating a model that embraces the increasingly emerging **circular economy approach**, practicing industrial symbiosis, waste-to-resource vision and life cycle thinking.

The program is focused on the valorization of the **coffee silverskin**, a thin tegument that directly covers the coffee seed. Coffee silverskin is a residue generated from coffee processing, together with husks, hulls and defective beans.

In the cosmetic field, it is a potential candidate to replace synthetic chemicals as active ingredients due to their *high antioxidant potential, phenolic compounds and caffeine contents*. Moreover, coffee silverskin could be used also for innovative and sustainable solutions in **paper production**.

Intercos is then offering a key contribution to the research on the use of coffee silverskin as a functional and **active ingredient** in cosmetic formulations.

Vitalab: combining nature and science for a sustainable beauty

Vitalab is the Intercos Group's company specialized in research and development of some of the most advanced and effective **active ingredients** for the worldwide cosmetics market.

Taking inspiration from **biological mechanisms**, Vitalab offers a full range of cosmetic ingredients, covers all the skin needs and leverages the efficacy of the beauty products, providing uniqueness and innovation while focusing on sustainability and responsibility.

Vitalab's active ingredients are indeed:

- **Science-based**, thanks to the development of an extensive platform for the in vitro efficacy assessment of active molecules for cosmetic application (skin care and make up);
- **Preservative free**, thanks to an advanced extraction technology allowing to avoid the use of any kind of preservative in all products;
- **Not impacting on formula**, as the actives are designed to ensure a high compatibility with the majority of cosmetic formulations;
- **100% natural origin**, being the green design of products, the adoption of environmentally friendly materials, and cleaner production processes among the main Company's goals.

In order to design such innovative ingredients, Vitalab has developed over the years a unique expertise in relation to:

- **Plant tissue cultures**. *Biotechnology* gave the opportunity to develop various active ingredients relying on processes that are scalable, repeatable and sustainable. *In vitro technology* offers several advantages when compared to the traditional field cultivation, such as drastic reduction of water use and soil exploitation, preservation of biodiversity, shortening of the supply chain, full traceability of the starting material.
- **Microalgae**. In collaboration with the aquaculture center of the university of Naples, *algae cultivation methods* are designed in closed systems which require few culturing parameters as conditions for the algae growth, ensuring reduced energy and water consumption.
- **Upcycled ingredients**. The Company has always believed in the intrinsic potential of *food by-products* (e.g. grape pomace and peels) as valuable sources for the development of natural active ingredients by ensuring and promoting an ethical and sustainable supply chain.

... to process efficiency

For what concerns environmental issues, Intercos Group generates, in carrying out its production processes, impacts that are mainly linked to the procurement of raw materials and waste disposal, to air pollutant and climate-change emissions and the management of water supply and discharges.

The Group adopts a **Corporate Environmental Policy** committing to reduce its air pollutant and climate-change emissions and waste, and to improve water consumption efficiency. This commitment is confirmed within the **Corporate Policy for Sustainable Procurement**, applicable at Group level and adopted in January 2018, in which Intercos undertakes to pursue the development of a sustainable supply chain.

At the local level, the Group is equipped with resources and tools that allow for the correct management of environmental issues, in line with the applicable regulatory framework. In particular, Intercos Europe S.p.A has adopted an **Environmental Policy** that expresses the Company's commitment to mitigating the environmental impacts associated with its production activities. This policy is the basis of the environmental system that has allowed the production sites of Dovera and Agrate to maintain during 2020 the certification **ISO 14001:2015**, which guarantees an adequate management and continuous monitoring of environmental aspects and performance. The production sites of Olgiate Comasco (Cosmint), Shanghai (Interfila Cosmetics), Suzhou (Intercos Cosmetics and Intercos Technology) and Osan (Intercos Korea) maintained the ISO 14001:2015 certification in 2020 as well.

In 2020, no cases of non-compliance with environmental legislation have to be reported.

For what concerns the management of the individual relevant environmental aspects, the following paragraphs illustrate the main risks, the management models adopted at the local level and the main performance indicators.

The management of hazardous chemicals

To date, there is no centralized model for hazardous chemicals, whose management is delegated to individual local units, mainly at production site level, according to practices or procedures that are in line with applicable laws and / or the regulations in force in the different countries where Intercos operates.

Intercos Europe S.p.A. has adopted a specific procedure for the management of chemicals that are potentially dangerous for the environment, which is mainly based on the provisions of the **European Regulations 1907/2006 (REACH), 1272/2008 (CLP) and 2015/830 (SDS)**.

The introduction of chemical agents into the plant can take place either through the purchase of chemicals used for **bulk production**, or through the purchase of substances and semi-processed products, generally ancillary products, mainly used for maintenance activities or by the technical services. Regarding the chemical substances used for production, the Research Department selects the raw materials that are then validated by the HSE function and codified by the Coding Department. The latter requires the supplier to update the **safety data sheets** in Italian in order to file them and ensure the compliance of the papers received with respect to the **REACH regulation**. Following the issuing of purchasing order by the Purchasing Office and the arrival of the products in stock, the HSE function defines the responsibilities of the functions in charge of the verification and management of the processes from the arrival to the **storage** and the **handling** of the chemical agents.

For what concerns the management of **auxiliary products**, based on the specific department's need, the managers contact the supplier and requests the respective safety data sheets. The HSE function examines the safety data sheets and involves, as appropriate, one or more functions for final approval. The managers of the different departments finally supply the approved products, even without the involvement of the Purchasing Department. Following the arrival of the products in the warehouse, the logistics function delivers it to production.

Waste collection and disposal

To date, there is no centralized model for managing waste collection and disposal, which are delegated to the individual local units, mainly at the production sites, according to practices or procedures that are in line with applicable laws and / or the regulations in the different countries.

Intercos Europe S.p.A. has adopted a specific waste management procedure which is mainly based on the provisions of the European and Italian legislation (**D. Lgs. 152 / 2006** as amended).

The HSE function, depending on its origin and danger, classifies the waste generated by the activities in “urban” or “special” and in “hazardous” or “non-hazardous,” according to the respective **EWC code**. All types of waste are collected separately in dedicated areas that, in the case of special hazardous waste, are paved with waterproof floors or provided with containment tanks to prevent potential leakages. The HSE function also has the task of coordinating all the activities required by law (**FIR** – *Formulario di Identificazione dei Rifiuti*, loading and unloading register, and **MUD** – *Modello Unico di Dichiarazione ambientale*) and of organizing the transport and transfer of waste to the disposal / recovery plant, also through the selection of suppliers and the verification of their compliance with all applicable legislations.

Since 2018, Intercos has launched a **tendering procedure** related to waste management of Agrate and Dovera sites. The tender aims at selecting the **best suppliers available** through an evaluation process that includes not only legislative, authorization and economic criteria, but also related to **quality** and **responsible management of activities** (e.g. adoption of ISO 9001:2015 or ISO 14001:2015 certifications, registration on the White List of service providers and workers not subject to attempted Mafia infiltration, etc.). It should also be noted that, since 2018, with a view to **transparency** and **traceability**, suppliers of waste disposal services for the Agrate and Dovera plants have been required to provide evidence of their **recycling/recovery**, where applicable.

In addition to Intercos Europe, the Group's other legal entities also began in 2020 to favor waste disposal methods alternative to **landfill**, such as recycling and recovery (including energy recovery), so as to meet the 2025 Company objective of “**zero industrial waste sent to landfill**”. Therefore, some subsidiaries had to review their **agreements** with the **waste disposal suppliers**, or, in some cases to replace the disposers.

In China, Intercos Technology and Intercos Cosmetics have adopted a specific procedure for the prevention of pollution and the correct management of waste, based on the provisions of the **Chinese national legislation** (Law of the People's Republic of China on the Prevention of Environmental Pollution Caused by Solid Waste). All the waste generated by the activities of the production plant are classified in: **recyclable** (paper, plastic, metals, etc.), **undifferentiated** (construction waste, food, gardening, etc.), **hazardous** (inks, additives, detergents, glues, fluorescent lamps, etc.), **industrial** (dirty clothes and paper, lipstick, mascara, powders, emulsions and other raw materials, etc.) and **waste products** (finished products, materials and packaging). Depending on the category to which it belongs, all waste is collected in special containers that must be properly closed, provided with a specific label and made of materials that do not allow any kind of chemical reaction with the waste contained therein. The waste produced by the plant must be transferred to the warehouse that collects it and, if it is dangerous, stores it in a special area (Hazardous Waste Storage Room). The HSE function, with regard to hazardous waste, has the task of compiling and managing the **documentation** in compliance with the applicable national legislation (double copy modules for the transfer of hazardous waste) and to contact the suppliers for the **transportation** and **transfer** of hazardous waste to the disposal plant. Instead, non-hazardous waste is managed directly from the warehouse that supplies it to special waste collection stations, in the case of recyclable waste, or to public landfills, in the case of undifferentiated waste. If there is no specific procedure for industrial waste, companies have a specific procedure for their disposal for production waste.

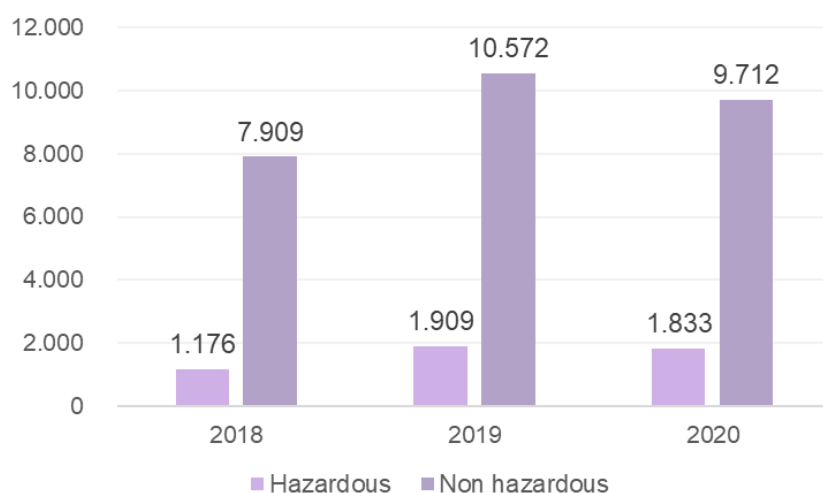
Interfila Cosmetics, in Shanghai, has adopted a specific procedure for the management of environmental aspects that includes specific **waste management provisions**. Waste is classified as hazardous waste, such as oils, paints, inks and detergents, and in general waste such as packaging and wood chips. Following the identification of hazardous and generic waste, the site identifies suitable areas for waste storage, based on their classification. The company manages waste disposal activities with the aim of minimizing the amount of

waste produced and of carrying out the correct treatment and disposal process where it is not possible to facilitate its recovery.

Intercos do Brasil has adopted a specific procedure that establishes the criteria for the disposal of generated waste and is based on the provisions of the **Brazilian national legislation** (NBR 10004: 2004 - Resíduos Sólidos - classificação). The waste produced by the plant is classified on the basis of a **color scale**: blue for office paper, newspapers, magazines and cardboard; red for plastic; orange for hazardous chemical waste (e.g. batteries of electronic devices); green for glass; black and gray for industrial or contaminated waste; yellow for metals; and brown for organic waste. All waste, based on the specific type, is collected in different areas and in suitable and adequately identified containers and is entrusted to external companies authorized for their treatment, in the case of hazardous waste, and subsequent disposal.

As of December 31st, 2020, the Intercos Group generated a total of **11,545** tonnes of waste, of which **9,712** tonnes (**84%**) were non-hazardous and **1,833** tonnes (**16%**) were hazardous. The region that generated the highest amount of waste is Italy (67%), followed by the Rest of Europe (14%), China (13%), the United States (4%), South Korea (2%) and Brazil (less than 1%). The decrease in hazardous waste is mainly due to a decrease in production volumes during 2020 as a consequence of the Covid-19 pandemic, as well as the decrease in non-hazardous waste. Further details are illustrated in the Appendix (see *Table 24*).

Figure 9 - Quantity of hazardous and non-hazardous waste generated by the Company (tons)



The fight against climate change and air pollutant emissions

In order to guarantee the continuity of its business, the Intercos Group considers it essential to meet the needs of its customers and to comply with the applicable legislation on the protection of air quality and the reduction of phenomena related to climate change, aware of the fact that, as a manufacturing company, it carries out production activities that could generate significant environmental pressures associated with energy consumption and, consequently, the emission of air pollutants and climate-changing substances into the atmosphere.

For what concerns the management of **energy consumption** and pollutant and **climate-changing emissions**, there is no centralized model to date, and the choice of the adequate operational procedures for the management of these environmental aspects is left to the individual companies / plants.

In compliance with the provisions of the **Legislative Decree No. 102/2014**, during 2019 Intercos Europe S.p.A. prepared an "**Energy Efficiency Report**" for the production plants of Agrate and Dovera in order to describe the Company's energy system and consumption and to define possible improvement interventions in terms of energy efficiency, quantifying the resulting savings. Furthermore, the Company has adopted specific procedures for the management of **air pollutant emissions** into the atmosphere and **greenhouse gases**, which are based on the provisions of the binding Italian and national European legislation. Aiming at improving energy efficiency and reducing greenhouse gas emissions, the installation of a **trigeneration system** was completed and started at the Dovera site in fall 2019, with **photovoltaic panels**; similarly, Cosmint S.p.A. in Olgiate Comasco installed a **cogeneration system** in 2018 and a **photovoltaic system**, which will be operating starting from 2021, on the roof of a new warehouse.

Moreover, in 2020, the **Agrate headquarters** (and, in particular, the "*Yellow Building*") has been partially renovated. The renovation project has been inspired by **sustainability principles**, including use of materials with high performance in terms of thermal and acoustic insulation, solar and visual shielding, the possibility of adjusting the incidence of light and with LED lighting. The facade has been designed specifically for the control of summer solar radiation and winter dispersion, while all windows are equipped with a motorized lamellar blind system connected to a solar radiation detection system that regulates the opening. Such design has led not only to a more functional environment but also to a reduction in energy consumption.

Since several years, Intercos Group, has undertaken, also in foreign subsidiaries, a path to improve energy efficiency within its plants. In the United States, Intercos America Inc. has improved its environmental performance in West Nyack plant by consuming electricity generated with **photovoltaic panels** on the roof of the building. In China, Intercos Technology Co. Ltd, since 2017, started a process of energy efficiency by replacing incandescent bulbs with **LED bulbs** (as well as the Italian sites of Agrate and Dovera), optimizing the **bulk mixing process** and monitoring the energy consumption related to **air conditioning**.

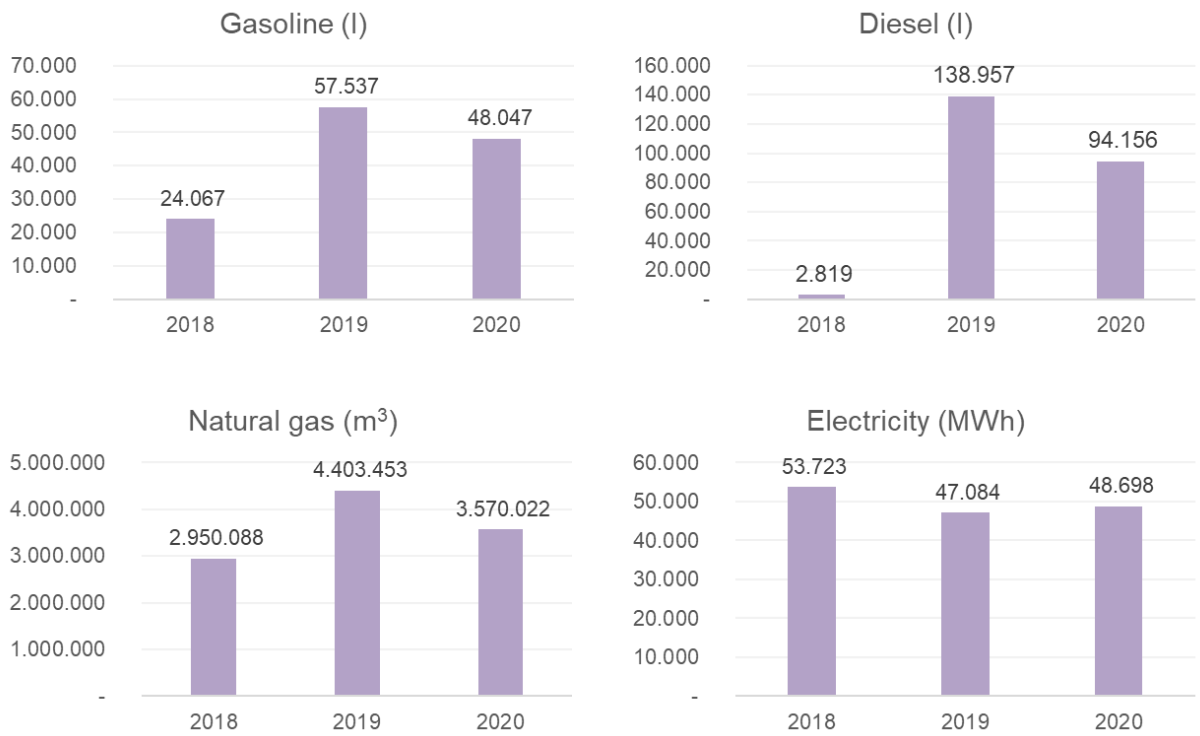
In terms of atmospheric emissions, the HSE function, supported by the **RSPP – Responsabile del Servizio di Prevenzione e Protezione**, keeps an updated census on the type and the characteristics of the **emission points** identified within the production process. Qualified third-party laboratories carry out the monitoring activity, aimed at ensuring compliance with the limits set by the current legislation and the efficiency of the abatement systems. The results of the analyses are examined by the HSE manager, while the Technical Services manager selects the type of devices used for the abatement of the fumes and coordinates its periodic maintenance.

For what concerns the management of fluorinated gases, substances that contribute to the greenhouse effect and that are present in refrigeration and air conditioning equipment, the Technical Services and Maintenance functions ensure compliance with the relevant regulatory obligations in order to prevent any gas **leaks** and ensure the timely intervention of qualified third parties in case of anomalies. These functions provide for the census of the plants and equipment and, as required by the **European Regulation 517/2014**, for their periodic maintenance with a frequency that varies according to the amount of CO₂ equivalent to the gas contained in them.

In addition, the Technical Services and Maintenance functions ensure that Company personnel intervening on the equipment is adequately trained through specific training courses, verify that the third party companies involved in the management of fluorinated gases are regularly registered at the **National Register of Fluorinated Gases (F-GAS Register)**, as required by Presidential Decree 43/2012, and guarantee the correct disposal of gases by certified personnel.

The figures below, report 2020 data on Intercos' **energy consumption, direct and indirect GHG emissions.**

Figure 10 - Energetic consumption, by fuel type¹²



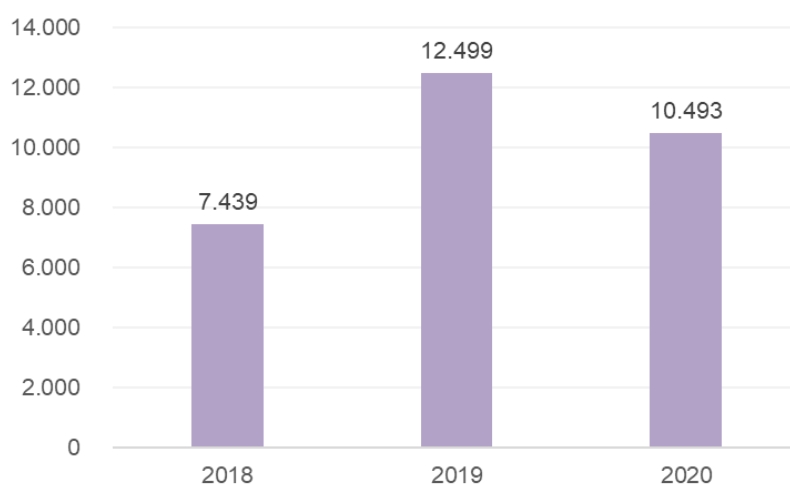
¹² The data referred to 2018 are not comparable to those referred to 2019 and 2020 since data about the Company's car fleet are not available. In addition, for "Rest of Europe" region, gasoline and natural gas data referred to 2019 have been updated based on best available data, as well as 2019 electricity consumption for Brazil.

The energy consumption of Intercos Group derives mainly from the procurement of **electricity** for its production activities and **use of fuels**, such as **gasoline** and **natural gas**. About the purchasing of electricity, **Italy** recorded the highest consumption (**46%**), followed by China (24%), United States (16%), South Korea¹³ (8%), the Rest of Europe (5%) and Brazil (1%). As of December 31st, 2020, the Intercos Group consumed 48,047 liters of gasoline, 94,156 liters of diesel and 3,570,022 m³ of natural gas and purchased 48,698 MWh of electricity. Further details are illustrated in the Appendix (see *Table 25*).

In addition to the above-mentioned energy consumption, it is to highlight the **heating** (4,808 MWh) and **cooling** (1,069 MWh) purchasing in 2020, mainly due to: district heating (from biomass) purchased by CRB in Switzerland; the **cogeneration** plant in the Cosmint's Olgiate Comasco plant (purchased heating consumption); the **trigeneration** plant in the Intercos Europe's Dovera production site (purchased heating and cooling consumption). The Dovera trigeneration plant and the Olgiate cogeneration one (the latter, starting from September 2020) are owned by a third party (**ESCO formula – Energy Service Company**): this led to a **reduction in natural gas** direct consumption in 2020.

Below are the data referred to **direct, Scope 1, GHG emissions**, which derive mainly from the consumption of **fuels**, in particular **natural gas** (**67%**), and from the use of refrigerant gases (29%) in refrigeration and air conditioning systems. In particular, **Italy** (**68%**) is the country that provides the largest contribution in terms of Scope 1 GHG emissions, followed by China (19%) and the United States (8%). The 2020 CO₂ emissions **decreasing** with respect to 2019 is instead mainly due to the **decrease in production activities**, as a consequence of the Covid-19 pandemic. Further details are illustrated in the Appendix (see *Table 26*).

Figure 11 - GHG direct emissions (Scope 1, tCO₂)¹⁴



Below are the data on **indirect, Scope 2, GHG emissions**, which derive mainly from the consumption of **electricity**. As of December 31st, 2020, for what concerns such emissions, the Intercos Group emitted, considering the **location-based** approach, **22,228** tons of CO_{2eq} of which **40%** in **Italy** and **32%** in **China**, followed by South Korea (11%), the United States (10%), the Rest of Europe (6%) and Brazil (less than 1%). Further details are illustrated in the Appendix (see *Table 27*).

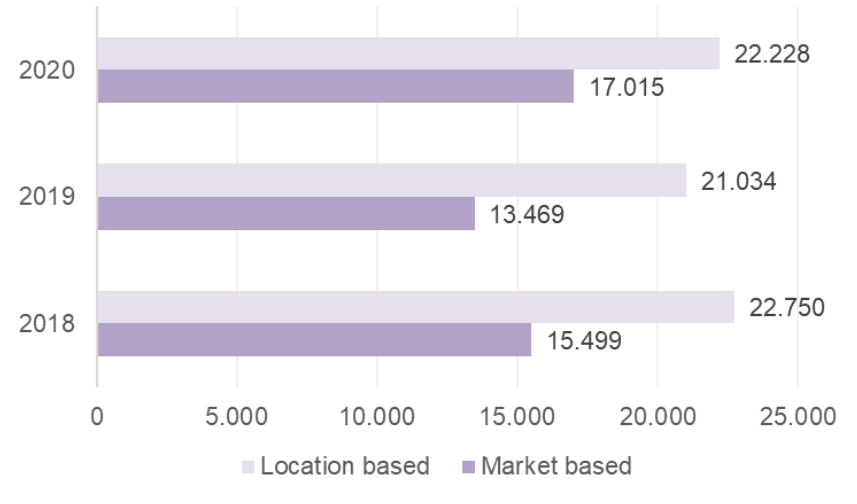
Considering the **market-based** approach, since 2016/2017 there has been a clear reduction in CO_{2eq} emissions in Italy, compared to the location-based approach, as Intercos, in the **Agrate** and **Dovera** plants, has started purchasing **green certified electricity** coming from **renewable sources**. Starting from 2020, also the **Romanengo** plant of Intercos Europe purchases electricity from renewable sources.

¹³ Since included in the reporting perimeter from 2020, it affects the Group's overall increase in energy consumption with respect to 2019.

¹⁴ 2019 GHG emissions have been recalculated since the gasoline and natural gas consumption data have been updated.

Thanks to this, the total amount of CO₂ emissions avoided by the three Intercos Europe's plants combined is **4,102 tCO₂**. In addition, thanks to the **photovoltaic panels** installed on the roof of the West Nyack plant of Intercos America (-991 tCO₂) and to the purchases by CRB of **electricity of nuclear origin** (-9 tCO₂) and **district heating from biomass** (-139 tCO₂), a total amount of **5,240 tCO₂** has been avoided.

Figure 12 - Indirect energetic GHG emissions (Scope 2, Location-based and Market-based, tCO₂)¹⁵



Pollutant emissions into the atmosphere are mainly linked to the following substances: **volatile organic compounds** (VOCs) and **particulate matter**. In particular, the largest contribution as far as VOCs are concerned derives from Italy, which in 2020 about **5 tons** of VOCs.

Management of water resources

Water resources and their prudent management represent an important theme for the Intercos Group. In particular, the correct management and disposal of the waters used in the production process, and thus require specific chemical-physical treatments before being discharged into the sewer system, are of particular relevance.

Like for the other environmental aspects, there is currently no centralized model for the management of water supplies and water discharges, and the operating procedures for the treatment of these aspects is left to the individual companies / plants.

Regarding the management of water supplies, Intercos Europe S.p.A, withdraws its water resources from the **municipal waterworks**, for both **civil** and **industrial** uses, or through **wells**, for **irrigation** and **firefighting**.

Intercos Europe S.p.A. has adopted a specific procedure for the management of water discharges which is mainly based on the provisions of the European and Italian national legislation (**D. Lgs. 152 / 2006** and subsequent amendments) and the provisions of the Single Environmental Authorization issued by the Province. Wastewater from production plants can generally be divided into: **process water**, **rainwater** and **sewage**. The process waters, deriving from the various cleaning operations, are generally conveyed to a chemical-physical treatment plant and subsequently into the sewage system. The meteoric waters, including the waters collected in the yards and rainwater, are usually conveyed to a separator well that collects the first rainwater in special accumulation / decantation tanks and then send them to the sewage system. The black waters, deriving from the toilets located in the factories, are sent into the sewage system, together with the wastewater coming from the kitchen. The Technical Services function provides for the daily management of the purification equipment and their extraordinary and periodic maintenance by qualified personnel, as

¹⁵ 2019 GHG emissions have been recalculated since the Brazil electricity consumption data have been updated.

regulated by the specific contracts stipulated with external maintenance companies. In addition, in 2020, Intercos Europe has installed an **internal wastewater treatment system** in **Agrate** for the **Cometa site**, avoiding the disposal of wastewater as not recovered waste.

Information regarding the management of water resources by the Intercos Group in 2020 is provided below, including the total volume of water supplied by source and the total volume of water discharged based on quality and destination. As of December 31st, 2020, the water consumed by the Intercos Group amounted to **447,587 m³** supplied almost entirely from aqueduct. It should also be noted that as of 2020, the water consumed at the Dovera site is partially taken (5,484 m³) from the aquifer and is used for irrigation and fire prevention systems. The highest water consumption was recorded in **Italy (42%)**, followed by the United States (24%) and China (18%).

Table 5: Water withdrawal (m³)

Year	2018	2019	2020
Italy	234,149	215,496	189,892
Rest of Europe	20,449	36,028	33,950
USA	127,986	90,322	106,788
Brazil	2,825	3,126	2,188
China	91,309	94,168	81,561
South Korea	N/A	N/A	33,218
TOTAL	476,718	439,139	447,587

Below is reported the information on the volumes of water discharged by Intercos Group. In 2020, **286,617 m³** (97%) of discharged water was sent to **third-party water** (e.g. **municipal sewer**). In terms of volumes discharged, the largest contribution was due to **Italy (37%)** and the United States (36%).

Table 6: Water discharge by destination (m³)

Category	Year	Discharge in surface water	Discharge to third-party water (e.g. municipal sewer)	Discharge in treatment facilities	Other	Total
Italy	2018	0	52,064	68,770	63	120,897
	2019	0	58,320	69,736	63	128,119
	2020	0	110,149	0	0	110,149
Rest of Europe	2018	1,100	52	18,250	0	19,402
	2019	1,172	0	31,230	0	32,402
	2020	1,018	0	23,918	0	24,935
USA	2018	0	0	127,986	0	127,986
	2019	0	0	90,322	0	90,322
	2020	0	106,778	0	0	106,778
Brazil	2018	0	0	2,261	0	2,261
	2019	0	0	2,452	0	2,452
	2020	0	1,772	0	0	1,772
China	2018	0	0	34,678	5,050	39,728
	2019	0	0	28,920	8,540	37,460
	2020	0	19,080	0	8,659	27,739
South Korea	2018	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A
	2020	0	24,921	0	0	24,921
TOTAL	2018	1,100	52,116	251,945	5,113	310,274
	2019	1,172	58,320	222,660	8,603	290,754
	2020	1,018	286,617	0	8,659	296,294

... along the value chain

Selection and monitoring of suppliers' performance according to sustainability criteria

The Group defines the social and environmental principles and criteria to be applied when selecting and qualifying its suppliers in the **Corporate Policy for Sustainable Procurement**. With this Policy, Intercos commits to pursue the development of a sustainable supply chain, relying on the principles of the international standards SA 8000, ISO 14001 and OHSAS 18001 (now ISO 45001) for the **qualification of suppliers**, providing, in particular, the respect for **human rights**, the fight against **discrimination**, the respect for **workers' rights**, the protection against **child labor** and the pledge for a **safe and healthy working environment**.

Intercos is committed to ensuring the respect for **human and labor rights** along its supply chain. When selecting **new suppliers** and monitoring the performance of **existing suppliers**, the Company, in addition to considering commercial and product quality criteria, also focuses on their **ethical performance** (safety, environment, human rights, compliance with local legislation) and evaluates them through **on-site visits**, the completion of a **questionnaire** and any other specific measures based on current needs.

Moreover, Intercos requires its suppliers to sign, together with the signing of the commercial contract, the **Group's Codes of Ethics and Conduct**.

Intercos specifically monitors the aspects related to human rights also outside the organization, in particular in **China** where the most part (60%) of the Group's procured packaging is generated, and where legislation is acknowledged to be more flexible regarding those very topics. The evaluation of Chinese suppliers is performed through the compilation of a detailed **Check List** (which contains about 250 questions, of which more than 30 are dedicated to social responsibility) and the **audits** at the supplier's facilities. Since 2017, the function that manages the selection and monitoring of the performance of raw material and packaging suppliers is centralized at Group level and supported by a **local team** to carry out audits in China.

For what concerns the information related to the selection of suppliers based on **sustainability criteria** (environmental, human rights, safety and regulatory compliance), the data on the percentage of new suppliers selected according to these criteria is shown below. The proportion of suppliers selected according to such criteria amounts to **12%** in 2020¹⁶.

Table 7: Percentage of new suppliers selected according to environmental and social criteria¹⁷

	u. m.	2018	2019	2020
Total number of new suppliers ¹⁸	n.	496	273	108
Total number of new suppliers selected according to environmental and social criteria	n.	111	60	13
New suppliers selected according to environmental and social criteria	%	22%	22%	12%

¹⁶ The difference in 2020 data compared to previous years is partly attributable to a more accurate count of the number of new suppliers, which allowed to discriminate them from those that were already present in the system and have been reactivated in the reference year with a different coding from the previous one.

¹⁷ Data reported do not include following countries values: Brazil, South Korea, Switzerland and USA.

¹⁸ The data refers to suppliers of raw materials and packaging except for Tatra Spring Polska for which, for the years 2017 and 2018, all the categories of suppliers are considered. Data related to new suppliers of raw materials and packaging are available starting from 2019.

The responsible sourcing of palm oil and mica

Palm oil and its derivatives

Palm oil is a vegetable oil that, as such or as a **derivative** obtained by reaction or by extraction of certain components, is used in the cosmetic sector for the production of foaming surfactants. It can be found in particular in **cleaning products**, from **soaps** to **shower gels**, in almost all types of **emulsions**, such as creams and cleansing milks, from shaving to **make-up products**, from **lipsticks** to **pencils**.

In the last thirty years the cultivation of palm oil has grown, mainly in **Southeast Asia**, where it is considered, together with the wood industry, the main cause of the intense deforestation phenomenon. The conversion of tropical forests into vast oil palm monocultures causes the **disappearance** of precious **rain forests**, the **deterioration** of **peatlands**, the suppression of unique **natural ecosystems** and, consequently, the loss of **biodiversity**. Moreover, not only do the strong changes in land use cause **erosion** and **hydrogeological instability** in the territories concerned, but they also produce a strong increase of **greenhouse gases** in the atmosphere, thus contributing to **climate change** globally.

To contribute to combating **land** and **forest exploitation** and to prevent the potential risk of being indirectly involved in **deforestation activities**, in **2017** Intercos joined the **Roundtable on Sustainable Palm Oil (RSPO)**. The RSPO, a **non-profit association**, has defined specific environmental and social criteria that member companies must respect to produce and market certified sustainable palm oil, with the aim of developing an **international standard for sustainable use of palm oil**.

The main goals of the RSPO association are:

1. to implement **research and development** activities to define criteria for sustainable palm oil use and production;
2. to undertake projects aimed at facilitating the implementation of **best sustainable practices**;
3. to develop concrete solutions to the problems encountered in the adoption and assessment of best practices for the **creation and management of plantations, procurement, trade and logistics**;
4. to acquire **financial resources** from private and public funds to finance projects supervised by the RSPO;
5. to **communicate** the RSPO's work to all **stakeholders** and to the general public.

Furthermore, starting from **2019**, the subscription of the Group as an **Ordinary Member** of the RSPO association leads to a renewed commitment towards the sourced palm oil **traceability** through a specific **Annual Communication on Progress (ACOP)**.

As reported in the 2020 ACOP, **80%** of Intercos Group's **raw materials**, in terms of purchased volumes and related palm-content, is **RSPO-certified**.

Mica

Mica, an essential **mineral** in the cosmetic industry, especially valuable to produce **eye shadows** because of its pearly effect, is still too often extracted by **children**, especially in **India**. The mica supply chain is complex and globalized, involving several intermediaries, processors and traders on different continents from the mine to the end user.

To face the potential risk of being indirectly involved in **child labor**, Intercos joined the **Responsible Mica Initiative** in **2017**, a **global association** that crosses all sectors, private, public and non-profit, with the aim to promote a correct and sustainable mica supply within the Group.

Key pillars of the initiative are:

1. The implementation of **fair** and **sustainable mica mining** and **processing practices** and the improvement of **traceability** along the value chain;

2. The **empowerment of local communities** to ensure positive long-term change through development programs;
3. The **collaboration** with the **Indian government** and **local authorities** to ensure an appropriate legal framework is in place.

In 2020, about **100%** of Indian mica volumes have been purchased from **RMI-certified suppliers**, that correspond to around **90%** of Intercos Group's Indian mica suppliers.

Going Beyond: the whitepaper

The **Responsible Beauty Initiative (RBI)** is an industry initiative focused on **sustainable procurement**, founded in **2017** and coordinated by **EcoVadis**, which includes among its members brands such as L'Oréal, LVMH, Clarins, Coty, Groupe L'Occitane, Cosnova and Groupe Rocher.

At the end of 2020, Intercos has been invited by the RBI to join the **"Going beyond" project**. The goal of the project was the drafting and the publication of a **whitepaper** containing guidelines and best practices to help companies of the **beauty sector** rated by EcoVadis – mostly **suppliers** and **partners** of RBI members – improve their **sustainability and CSR performance** and related **reporting practices**.

For each of the improvement areas identified by the RBI, in relation to topics such as labor and human rights, environment and corruption, the **best performers** and **top fast trackers** have been identified among more than **1,200 suppliers**. Intercos is one of them.

We hope advice and insights shared by Intercos will help inspire and equip cosmetic companies to adopt more **sustainable practices** in their business, spreading responsibility all along our and their value chain.

Appendix

We care for people

Table 8: Composition of the Board of Directors

Name and last name	Carica	Role		Gender
		Executive	Non-executive	
Dario Gianandrea Ferrari	President and CEO			M
Ludovica Arabella Ferrari	Director			F
Gianandrea Ferrari	Director			M
Nikhil Thukral Kumar	Director			M
James Michael Chu	Director			M
Renato Semerari	CEO			M
Ciro Piero Cornelli	Director			M
Nikhil Srinivasan	Director			M
Michele Scannavini	Director			M
Ginevra Ott	Director			F
Maggie Fanari	Director			F
Filippo Damiani	Director			M
Ivan Stoyanov Stoyanov	Director			M

Table 9: Composition of the Board of Statutory Auditors

Name and last name	Position	Gender
Nicola Pietro Lorenzo Broggi	President	M
Maria Maddalena Gnudi	Standing statutory auditor	F
Matteo Tamburini	Standing statutory auditor	M
Francesco Molinari	Deputy auditor	M
Simone Alessandro Marchiò	Deputy auditor	M

Table 10: Composition of the Supervisory Body

Name and last name	Position	Gender
Giuseppe Schiuma	President	M
Francesco Cimatti	Member	M
Maria D'Agata	Member	F

Table 11: Number of employees by type of contract (permanent and temporary) and by region

Type of contract	Year	Permanent	Temporary	Total employees
Italy	2018	1,348	55	1,403
	2019	1,417	23	1,440
	2020	1,414	9	1,423
Rest of Europe	2018	244	93	337
	2019	275	120	395
	2020	284	133	417
USA	2018	453	0	453
	2019	438	0	438
	2020	344	0	344
Brazil	2018	100	0	100
	2019	123	0	123
	2020	110	0	110
China	2018	1,302	0	1,302
	2019	1,333	0	1,333
	2020	1,176	0	1,176
South Korea	2018	NA	NA	NA
	2019	NA	NA	NA
	2020	137	0	137
Total	2018	3,447	148	3,595
	2019	3,586	143	3,729
	2020	3,465	142	3,607

Table 12: Number of employees by type of contract (permanent and temporary) and by gender

Type of contract	Men			Women		
	2018	2019	2020	2018	2019	2020
Permanent	1,274	1,304	1,276	2,173	2,282	2,189
Temporary	53	52	43	95	91	99
Total employees	1,327	1,356	1,319	2,268	2,373	2,288

Table 13: Number of employees by type of contract (full-time and part-time) and by gender

Type of contract	Total			Of which men			Of which women		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Full-time	3,542	3,671	3,566	1,324	1,350	1,315	2,218	2,321	2,251
Part-time	53	58	41	3	6	4	50	52	37
Total employees	3,595	3,729	3,607	1,327	1,356	1,319	2,268	2,373	2,288

Table 14: Total number and rate of new employee hires by age group, gender and region

Gender	MEN						WOMEN					Total (%)
	Age group	Year	< 30 years	30 ≤ x ≤ 50	> 50 years	Total (n.)	Total (%)	< 30 years	30 ≤ x ≤ 50	> 50 years	Total (n.)	
Italy	2018	24	38	12	74	13.1%	62	47	8	117	13.9%	13.6%
	2019	29	38	0	67	11.8%	64	26	4	94	10.8%	11.2%
	2020	19	21	1	41	7.3%	12	17	9	38	4.4%	5.6%
Rest of Europe	2018	27	26	2	55	46.6%	31	36	7	74	33.8%	38.3%
	2019	10	23	2	35	26.5%	39	39	9	87	33.1%	30.9%
	2020	26	31	5	62	47.3%	4	8	1	13	4.6%	18.0%
USA	2018	16	20	21	57	29.1%	41	29	7	77	30%	29.6%
	2019	5	10	1	16	8.1%	14	10	2	26	10.8%	9.6%
	2020	1	11	1	13	8.7%	0	16	0	16	8.2%	8.4%
Brazil	2018	4	10	1	15	57.7%	8	9	0	17	23%	32.0%
	2019	3	3	0	6	31.6%	19	16	1	36	34.6%	34.1%
	2020	4	5	0	9	34.6%	4	6	2	12	14.3%	19.1%
China	2018	72	53	1	126	29.7%	95	108	0	203	23.1%	25.3%
	2019	79	85	3	167	38.04%	76	93	0	169	18.9%	25.21%
	2020	31	18	1	50	13.6%	33	34	1	68	8.4%	10.0%
South Korea	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	11	22	3	36	46.1%	25	3	0	28	47.5%	46.7%

Table 15: Total number and rate of employee turnover by age group, gender and region

Gender	MEN						WOMEN					Total (%)
	Age group	Year	< 30 years	30 ≤ x ≤ 50	> 50 years	Total (n.)	Total (%)	< 30 years	30 ≤ x ≤ 50	> 50 years	Total (n.)	
Italy	2018	14	25	21	60	10.7%	16	51	23	90	10.7%	10.7%
	2019	6	37	19	62	10.9%	19	24	20	63	7.2%	8.7%
	2020	14	20	10	44	7.8%	5	20	27	52	6.1%	6.7%
Rest of Europe	2018	7	5	2	14	11.9%	11	6	0	17	7.8%	9.2%
	2019	9	16	4	29	22.0%	13	18	4	35	13.3%	16.2%
	2020	11	15	13	39	29.8%	5	8	1	14	4.9%	12.7%
USA	2018	7	25	9	41	20.9%	15	16	3	34	13.2%	16.6%
	2019	4	6	6	16	8.1%	17	20	4	41	17.1%	13.0%
	2020	9	43	7	59	39.3%	20	41	3	64	33.0%	35.8%
Brazil	2018	5	4	1	10	38.5%	10	19	0	29	39.2%	39.0%
	2019	3	3	1	7	36.8%	4	8	0	12	11.5%	15.4%
	2020	2	2	0	4	15.4%	5	25	0	30	35.7%	30.9%
China	2018	74	91	0	165	38.9%	94	108	0	202	23.1%	28.2%
	2019	91	80	1	172	39.2%	61	70	2	133	14.9%	22.9%
	2020	54	64	2	120	32.5%	65	84	6	155	19.2%	23.4%
South Korea	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	11	24	1	36	46.2%	19	14	0	33	55.9%	50.4%

Table 16: Training hours by subject

Subject	Year	HSE	Languages	Human Rights	Anti-corruption	Technical/ manufacturing/ Quality	Soft Skills/ Leadership	Total
Italy	2018	8,585	4,500	0	0	14,876	5,922	33,883
	2019	8,446	2,400	120	120	11,716	5,722	28,524
	2020	8,512	1,846	356	310	4,738	4,172	19,934
Rest of Europe	2018	1,618	526	0	0	1,216	952	4,312
	2019	2,151	499	0	0	1,293	640	4,583
	2020	1,492	238	0	0	1,039	145	2,914
USA	2018	2,985	0	0	0	998	176	4,159
	2019	2,695	0	0	0	760	145	3,600
	2020	1,396	0	0	0	400	0	1,796
Brazil	2018	379	0	379	379	1,927	703	3,767
	2019	408	0	408	408	2,073	756	4,053
	2020	1,025	0	234	37	1,019	8	2,323
China	2018	3,295	347	0	0	7,878	2,544	14,064
	2019	3,417	221	50	0	3,974	2,762	10,424
	2020	1,467	1,240	294	0	7,708	1,283	11,992
South Korea	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	3,288	957	0	0	331	0	4,576
Total	2018	16,862	5,373	379	379	26,895	10,297	60,185
	2019	17,117	3,120	578	528	19,816	10,025	51,184
	2020	17,180	4,281	884	347	15,235	5,608	43,535

Table 17: Average training hours per employee, by region and gender

Gender	Year	Men	Women	Total
Italy	2018	31.27	19.38	24.2
	2019	22.02	18.36	19.8
	2020	14.82	13.48	14.0
Rest of Europe	2018	11.89	13.28	12.8
	2019	10.89	11.96	11.6
	2020	8.03	6.51	7.0
USA	2018	9.34	9.06	9.2
	2019	8.18	8.25	8.2
	2020	4.55	5.74	5.3
Brazil	2018	37.65	37.68	37.7
	2019	55.42	28.84	32.9
	2020	21.12	21.12	21.1
China	2018	13.80	3.18	10.8
	2019	7.34	8.05	7.8
	2020	9.89	10.34	10.2
South Korea	2018	N/A	N/A	N/A
	2019	N/A	N/A	N/A
	2020	5.70	3.06	3.9
Total	2018	20.85	14.34	16.7
	2019	14.64	13.18	13.7
	2020	12.44	11.86	12.1

Table 18: Percentage of employees receiving regular performance review, by gender, region and employee category

Countries	Year	Gender		Working category				Total
		Men	Women	Directors & Executives	Managers	Employees	Workers	
Italy	2018	48.13%	61.43%	73.68%	100.00%	93.76%	10.87%	56.09%
	2019	42.43%	61.12%	100.00%	62.50%	86.30%	14.04%	53.75%
	2020	50.44%	61.19%	86.96%	98.73%	89.94%	13.50%	56.92%
Rest of Europe	2018	24.58%	22.83%	42.86%	83.33%	40.40%	0%	23.44%
	2019	12.12%	34.98%	77.78%	80.00%	42.95%	8.02%	27.34%
	2020	16.79%	27.97%	88.89%	74.07%	43.97%	5.00%	24.46%
USA	2018	45.41%	47.47%	25.00%	47.06%	45.61%	48.42%	46.58%
	2019	78.79%	53.33%	90.00%	88.89%	86.61%	51.97%	64.84%
	2020	74.67%	63.40%	100.00%	100.00%	100.00%	48.10%	68.31%
Brazil	2018	88.46%	56.76%	66.67%	100.00%	100.00%	42.37%	65.00%
	2019	89.47%	36.54%	66.67%	100.00%	70.97%	27.50%	44.72%
	2020	80.77%	60.71%	100.00%	100.00%	100.00%	45.83%	65.45%
China	2018	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	2019	100.00%	99.44%	100.00%	100.00%	91.62%	100.00%	99.62%
	2020	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
South Korea	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2020	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 19: Percentage of employees per employee category by geography, gender, age group and employee category

Category	Gender	Age group	Italy			Rest of Europe			USA			Brazil			China			South Korea		
			'18	'19	'20	'18	'19	'20	'18	'19	'20	'18	'19	'20	'18	'19	'20	'18	'19	'20
Directors & Executives	men	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	0%
		30 ≤ x ≤ 50 years	37%	28%	30%	14%	22%	22%	20%	20%	33%	33%	33%	33%	46%	29%	39%	N/A	N/A	0%
		> 50 years	45%	38%	39%	29%	11%	22%	10%	20%	7%	33%	0%	0%	8%	29%	11%	N/A	N/A	100%
	women	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	0%
		30 ≤ x ≤ 50 years	8%	21%	17%	29%	33%	22%	50%	40%	47%	33%	33%	33%	46%	43%	50%	N/A	N/A	0%
		> 50 years	11%	13%	13%	29%	33%	33%	20%	20%	13%	0%	33%	33%	0%	0%	0%	N/A	N/A	0%
Managers	men	< 30 years	0%	0%	0%	0%	0%	0%	0%	4%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	0%
		30 ≤ x ≤ 50 years	18%	22%	19%	17%	24%	19%	18%	26%	19%	33%	33%	22%	41%	42%	38%	N/A	N/A	55%
		> 50 years	28%	25%	23%	6%	12%	11%	3%	7%	10%	0%	0%	0%	2%	2%	0%	N/A	N/A	0%
	women	< 30 years	4%	0%	0%	0%	0%	0%	29%	11%	10%	0%	0%	0%	0%	0%	0%	N/A	N/A	5%
		30 ≤ x ≤ 50 years	40%	40%	41%	78%	64%	70%	32%	33%	39%	67%	67%	56%	58%	57%	63%	N/A	N/A	41%
		> 50 years	9%	14%	18%	0%	0%	0%	18%	19%	23%	0%	0%	22%	0%	0%	0%	N/A	N/A	0%
Employees	men	< 30 years	4%	5%	5%	11%	9%	6%	16%	12%	14%	14%	10%	15%	6%	6%	4%	N/A	N/A	6%
		30 ≤ x ≤ 50 years	17%	16%	17%	17%	17%	17%	18%	14%	17%	17%	16%	15%	17%	20%	16%	N/A	N/A	34%
		> 50 years	6%	6%	6%	1%	1%	1%	8%	9%	5%	0%	0%	0%	1%	1%	0%	N/A	N/A	0%
	women	< 30 years	12%	16%	16%	34%	32%	26%	29%	31%	28%	14%	13%	8%	22%	21%	16%	N/A	N/A	30%
		30 ≤ x ≤ 50 years	45%	41%	40%	35%	39%	48%	24%	26%	30%	55%	61%	62%	54%	51%	64%	N/A	N/A	29%
		> 50 years	16%	14%	15%	2%	2%	1%	5%	8%	7%	0%	0%	0%	0%	0%	0%	N/A	N/A	0%
Workers	men	< 30 years	6%	7%	8%	15%	12%	13%	12%	8%	7%	7%	3%	7%	7%	11%	10%	N/A	N/A	42%
		30 ≤ x ≤ 50 years	26%	27%	26%	21%	19%	17%	22%	29%	29%	14%	6%	14%	14%	22%	24%	N/A	N/A	52%
		> 50 years	17%	15%	15%	6%	6%	6%	14%	14%	14%	0%	0%	0%	0%	0%	1%	N/A	N/A	0%
	women	< 30 years	3%	5%	5%	12%	15%	18%	12%	10%	9%	27%	36%	28%	27%	17%	13%	N/A	N/A	3%
		30 ≤ x ≤ 50 years	27%	28%	27%	35%	36%	36%	28%	25%	29%	51%	54%	50%	51%	49%	51%	N/A	N/A	3%
		> 50 years	20%	18%	19%	11%	12%	11%	12%	14%	13%	2%	1%	1%	2%	1%	1%	N/A	N/A	0%

Table 20: Ratio of remuneration of women to men

Country	Year	Directors & Executives	Managers
Italy	2018	0.79	0.95
	2019	0.79	0.84
	2020	0.71	0.89
Rest of Europe	2018	1.22	0.71
	2019	0.78	1.06
	2020	0.88	0.80
USA	2018	1.00	0.60
	2019	1.06	1.01
	2020	0.93	1.03
Brazil	2018	1.47	0.96
	2019	1.08	1.41
	2020	1.09	1.30
China	2018	0.96	1.06
	2019	0.76	1.00
	2020	0.58	0.91
South Korea	2018	N/A	N/A
	2019	N/A	N/A
	2020	N/A	N/A

Table 21: Occupational health and safety - Employees

Indicator		u.m.	Italy			Rest of Europe			USA		
EMPLOYEES	Year		'18	'19	'20	'18	'19	'20	'18	'19	'20
	Employee worked hours	h/000	2,298	1,990	2,111	476	619	649	769	789	623
	Total number of recordable work-related injuries, including fatalities	n.	21	22	7	0	5	14	5	3	2
	<i>of which commuting incidents occurred during a transport organized by the Group</i>	n.	6	12	2	0	0	0	0	0	0
	<i>of which high-consequence work-related injuries (>6 months of absence), excluding fatalities</i>	n.	0	0	1	0	0	0	1	0	1
	<i>of which fatalities</i>	n.	0	0	0	0	0	0	0	0	0
	Rate of recordable work-related injuries	-	9.2	9.3	3.3	0	8.1	21.6	6.5	3.8	3.2
	Rate of high-consequence work-related injuries	-	0	0	0.5	0	0	0	1.3	0	1.6
Rate of fatalities	-	0	0	0	0	0	0	0	0	0	
Indicator		u.m.	Brazil			China			South Korea		
EMPLOYEES	Year		'18	'19	'20	'18	'19	'20	'18	'19	'20
	Employee worked hours	h/000	319	419	269	3,773	3,802	3,384	N/A	N/A	242
	Total number of recordable work-related injuries, including fatalities	n.	0	1	0	8	4	4	N/A	N/A	1
	<i>of which commuting incidents occurred during a transport organized by the Group</i>	n.	0	0	0	0	0	0	N/A	N/A	0
	<i>of which high-consequence work-related injuries (>6 months of absence), excluding fatalities</i>	n.	0	0	0	0	0	0	N/A	N/A	0
	<i>of which fatalities</i>	n.	0	0	0	0	0	0	N/A	N/A	0
	Rate of recordable work-related injuries	-	0	2.4	0	2.1	1.1	1.2	N/A	N/A	4
	Rate of high-consequence work-related injuries	-	0	0	0	0	0	0	N/A	N/A	0
Rate of fatalities	-	0	0	0	0	0	0	0	0	0	

Table 22: Occupational health and safety – Workers who are not employees

Indicator		u.m.	Italy			Rest of Europe			USA		
WORKERS	Year		'18	'19	'20	'18	'19	'20	'18	'19	'20
	Workers worked hours	h/000	1,177	1,612	1,250	372	691	601	598	598	402
	Total number of recordable work-related injuries, including fatalities	n.	18	25	13	8	3	5	12	1	1
	<i>of which commuting incidents occurred during a transport organized by the Group</i>	n.	15	16	10	1	2	1	0	0	0
	<i>of which high-consequence work-related injuries (>6 months of absence), excluding fatalities</i>	n.	0	0	0	0	0	0	1	0	0
	<i>of which fatalities</i>	n.	0	0	0	0	0	0	0	0	0
	Rate of recordable work-related injuries	-	15.3	15.5	10.4	21.5	4.3	8.3	20.1	1.7	2.5
	Rate of high-consequence work-related injuries	-	0	0	0	0	0	0	1.7	0	0
	Rate of fatalities	-	0	0	0	0	0	0	0	0	0
Indicator		u.m.	Brazil			China			South Korea		
WORKERS	Year		'18	'19	'20	'18	'19	'20	'18	'19	'20
	Workers worked hours	h/000	0	0	0	N/A	N/A	N/A	N/A	N/A	98
	Total number of recordable work-related injuries, including fatalities	n.	0	0	0	N/A	N/A	N/A	N/A	N/A	1
	<i>of which commuting incidents occurred during a transport organized by the Group</i>	n.	0	0	0	N/A	N/A	N/A	N/A	N/A	0
	<i>of which high-consequence work-related injuries (>6 months of absence), excluding fatalities</i>	n.	0	0	0	N/A	N/A	N/A	N/A	N/A	0
	<i>of which fatalities</i>	n.	0	0	0	N/A	N/A	N/A	N/A	N/A	0
	Rate of recordable work-related injuries	-	0	0	0	N/A	N/A	N/A	N/A	N/A	10.2
	Rate of high-consequence work-related injuries	-	0	0	0	N/A	N/A	N/A	N/A	N/A	0
	Rate of fatalities	-	0	0	0	N/A	N/A	N/A	N/A	N/A	0

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Table 23: Types of packaging purchased

Raw materials	Quantity (tons)		
	2018 ¹⁹	2019 ²⁰	2020
Steel	-	90	52
Aluminum	1,227	816	443
Paper	29,160	16,460	11,982
Wood	2,709	2,260	1,807
Plastic	13,005	14,476	8,758
Glass	351	4,660	3,149
Total	46,452	38,762	26,192

Table 24: Quantity of hazardous and non-hazardous waste generated by the Company by type and disposal method²¹

Destination	Italy			Rest of Europe			USA			Brazil			China			South Korea			TOTAL		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Hazardous	711	1,554	1,209	431	304	556	6	2	3	0	1	0.8	28	49	38	N/A	N/A	26	1,176	1,909	1,833
Of which sent to reuse	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0	N/A	N/A	0	0	0	8
Of which sent for recovery (including energy recovery)	276	537	837	0	82	2	6	2	3	0	0	0	0	0	0	N/A	N/A	0	282	622	841
Of which sent to incineration	0	0	0	0	222	447	0	0	0	0	1	0.3	0	49	38	N/A	N/A	26	0	271	542
Of which sent to recycling	304	106	0	0	0	69	0	0	0	0	0	0	0	0	0	N/A	N/A	0	304	106	69
Of which sent to on-site storage	0	0	0	0	0	0	0	0	0	0	0	0.2	0	0	0	N/A	N/A	0	0	0	0.2
Of which sent to landfill	0	20	2	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0	0	20	2
Other	131	891	370	431	0	0	0	0	0	0	0	0.3	28	0	0	N/A	N/A	0	590	891	371
Non-hazardous	5,584	7,702	6,483	846	1,233	1,054	524	474	477	62	105	92	893	1,058	1,407	N/A	N/A	199	7,909	10,572	9,712
Of which sent to reuse	322	0	0	8	7	0	0	0	0	3	0	0	0	0	0	N/A	N/A	0	333	7	0
Of which sent for recovery (including energy recovery)	945	1,048	2,230	0	0	0	123	82	18	0	0	0	0	0	0	N/A	N/A	199	1,068	1,130	2,447
Of which sent to incineration	0	0	0	138	546	239	0	0	0	0	0	0	44	98	332	N/A	N/A	0	182	644	571
Of which sent to recycling	2,028	1,200	75	617	680	815	402	392	397	11	36	42	616	656	1,073	N/A	N/A	0	3,674	2,964	2,402
Of which sent to landfill	0	0	0	0	0	0	0	0	20	19	22	12	215	201	3	N/A	N/A	0	234	222	35
Other	2,289	5,454	4,178	84	0	0	0	0	42	30	48	38	17	102	0	N/A	N/A	0	2,420	5,604	4,258
Total	6,296	9,256	7,692	1,278	1,537	1,610	530	476	479	62	106	93	920	1,106	1,445	N/A	N/A	225	9,086	12,481	11,545

¹⁹ The data referred to 2018 have been estimated and exclude packaging purchased from Cosmint and Tatra Spring Polska, whose data are available from 2019.

²⁰ The data referred to 2019 exclude the amount of packaging purchased from the client and made freely available to Intercos (free issue material), intercompany packaging transfers and final products whose purchase is made from suppliers explicitly identified by the clients.

²¹ The disposal methods of the waste produced in 2019 have been updated based on best available data.

Table 25: Energetic consumption²²

Countries	Anno	Gasoline ²³	Diesel ²³	Natural gas	Electricity
u.m.		Liters	Liters	m ³	MWh
Italy	2018	n.d.	230	2,174,323	29,913
	2019	6,087	122,460	3,680,638	23,149
	2020	3,958	85,576	3,126,217	22,418
Rest of Europe ²⁴	2018	1,187	2,039	189,237	1,871
	2019	5,820	5,902	169,953	2,705
	2020	6,435	5,554	162,569	2,308
USA	2018	n.d.	0	239,556	7,527
	2019	8,640	10,495	244,363	7,060
	2020	0	1,748	55,936	7,801
Brazil	2018	22,880	0	0	2,677
	2019	19,250	0	0	1,053 ²⁵
	2020	13,594	0	0	651
China	2018	n.d.	550	346,972	11,735
	2019	17,740	100	308,499	13,116
	2020	13,084	240	225,018	11,479
South Korea	2018	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A
	2020	10,976	1,038	282	4,039
TOTAL	2018	24,067	2,819	2,950,088	53,723
	2019	57,537	138,957	4,403,453	47,084
	2020	48,047	94,156	3,570,022	48,698

²² The data referred to 2018 are not comparable to those referred to 2019 and 2020 since data about the Company's car fleet are not available.

²³ The data referred to 2019 and 2020 include the Company's car fleet.

²⁴ Gasoline and natural gas data referred to 2019 have been updated based on best available data.

²⁵ The 2019 electricity consumption has been updated based on best available data.

Table 26: GHG direct emissions (Scope 1)²⁶

Tipology	Anno	Gasoline	Diesel	Natural gas	F-GAS	Total
u.m.		ton CO ₂ eq.	ton CO ₂ eq.	ton CO ₂ eq.	ton CO ₂ eq.	
Italy	2018	0	1	4,288	503	4,792
	2019	14	324	7,258	720	8,316
	2020	9	226	6,174	707	7,117
Rest of Europe	2018	3	5	373	0	381
	2019	13	16	335	0	364
	2020	15	15	321	4	355
USA	2018	0	0	472	76	548
	2019	20	28	482	950	1,479
	2020	0	5	110	738	853
Brazil	2018	53	0	0	40	93
	2019	44	0	0	163	207
	2020	31	0	0	143	174
China	2018	0	1	684	940	1,625
	2019	41	0	608	1,485	2,135
	2020	30	1	444	1,490	1,966
South Korea	2018	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A
	2020	25	3	1	0	29
TOTAL	2018	56	7	5,817	1,559	7,439
	2019	132	367	8,683	3,317	12,499
	2020	111	249	7,051	3,083	10,493

²⁶ 2019 GHG emissions have been recalculated since the gasoline and natural gas consumption data have been updated.

Table 27: Indirect energetic GHG emissions (Scope 2)²⁷

Typology	Year	Location-based	Market-based
		ton CO _{2e}	ton CO _{2e}
Italy	2018	10,769	5,123
	2019	8,334	2,253
	2020	8,910	5,154
Rest of Europe	2018	957	1,051
	2019	1,696	1,936
	2020	1,420	1,475
USA	2018	3,169	1,470
	2019	2,526	802
	2020	2,122	611
Brazil	2018	415	415
	2019	163	163
	2020	92	92
China	2018	7,440	7,440
	2019	8,315	8,315
	2020	7,163	7,163
South Korea	2018	N/A	N/A
	2019	N/A	N/A
	2020	2,521	2,521
TOTAL	2018	22,750	15,499
	2019	21,034	13,469
	2020	22,228	17,015

²⁷ 2019 GHG emissions have been recalculated since the Brazil electricity consumption data have been updated.

Methodological note

Intercos Group's 2020 Sustainability Report has the purpose to ensure a complete understanding of the Company's business model, policies, main risks and key performance indicators on environmental, social and employee matters, respect for human rights, anticorruption and bribery matters that are relevant considering the Group's activities and characteristics.

The Board of Directors of Intercos S.p.A. has approved this Sustainability Report on July 20th, 2021. In addition, this document has been subject to limited assurance by EY S.p.A. in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised).

Reporting scope and standard

The reporting scope coincides with the scope of the Consolidated Financial Statements, i.e. includes all companies consolidated line-by-line in the financial reporting, with the exception of some indicators for which the limitations of the reporting perimeter are reported directly in the text.

The information disclosed in this document refer to FY 2020.

Performance indicators and information have been gathered on a yearly basis (January-December) for 2018, 2019 and 2020.

This document represents the first voluntary Sustainability Report for Intercos Group, as, till last year, it has published the "Consolidated Disclosure of Non-financial Information, in accordance with Legislative Decree 254/2016" (2017, 2018 and 2019 editions), as in scope of it.

Within the document, where necessary, some specific notes have been added to explain any change in 2019 performance data.

The reporting standard adopted by Intercos for the preparation of its Sustainability Report is the GRI Sustainability Reporting Standards (hereinafter also GRI Standards), published by the GRI - Global Reporting Initiative. In particular, according to the provisions of the Standard GRI 101: Foundation, paragraph 3, a reference to the Reporting Standards disclosed is made in the following Content Index.

This report has been prepared in accordance with the GRI Standards: Core option.

The table below provides a list of the material topics identified by Intercos Group, the corresponding GRI aspects, and the related perimeter in terms of impact and any restrictions on reporting due to non-availability of data on the external perimeter.

Reference	Relevant aspect	GRI aspect	Aspect boundary	
			Internal	External
Environmental matters	Sustainable consumption of natural resources	GRI 301 – Materials	Group	
		GRI 303 (2018) – Water and effluents	Group	
Environmental matters	Energy and climate change	GRI 302 – Energy	Group	
		GRI 305 – Emissions	Group	Suppliers The reporting is not extended to the external boundary
Environmental matters	Waste management and pollution	GRI 305 – Emissions	Group	
		GRI 306 – Effluents and waste		
Environmental matters	Responsible sourcing	GRI 308 – Supplier environmental assessment	Group	
Respect for human rights		GRI 414 - Supplier social assessment	Group	
Respect for human rights	Occupational health and safety	GRI 403 (2018) - Occupational health and safety	Group	Contractors and suppliers The reporting is not extended to the external boundary
Respect for human rights	Diversity, equal opportunities and non-discrimination	GRI 405 – Diversity and equal opportunities	Group	
Respect for human rights	Respect for human rights	GRI 412 – Human rights assessment	Group	
Employee matters	Employee welfare and wellbeing	GRI 401 – Employment	Group	
Employee matters	Human capital development	GRI 404 – Training and education	Group	
Social matters	Customer health and safety	GRI 416 - Customer health and safety	Group	
Social matters		GRI 417 - Marketing and labeling	Group	
	Business ethics and integrity	GRI 419 – Socio-economic compliance	Group	
Anti-corruption and bribery matters		GRI 205 – Anti-corruption	Group	
Environmental matters		GRI 307 – Environmental compliance	Group	

Reporting Process and Calculation Methodology

The definition of the 2020 Sustainability Report contents involved all the business functions that are responsible for the aspects reported in this document.

The main methodologies used for the calculations are reported below:

- the ratio between the remuneration received by men compared to that of women was calculated by adding to the base salary the figures related to the *Management By Objectives (MBO)* paid in the year on the basis of the cash criterion. The remuneration was calculated only for Executives and Managers, which are the only categories that can fully benefit from this type of incentive. In fact, some functions among the Employees category fall within the incentive plan but they are not representative of the whole category;
- the injury rate is the rate between the total number of injuries with absences exceeding one day, including the injuries as a result of commuting incidents (only where the transport has been organized by the organization) and the total number of worked hours, multiplied by 1,000,000;

- the high-consequence work-related injuries (excluding fatalities) rate is the rate between the number of injuries with absences exceeding 6 months, excluding fatalities, and the total number of worked hours, multiplied by 1,000,000;
- the fatalities rate is the rate between the total number of fatalities as a result of work-related injury and the total number of worked hours, multiplied by 1,000,000;
- for environmental data, if not available, conservative estimations have been performed, choosing hypotheses associated with the least positive environmental performance for the Company;
- the calculation of greenhouse gas emissions has been carried out according to the principles of the international standard ISO 14064-1;
- the emission factors used to calculate the CO₂ emissions reported in this Sustainability Report are as follows:

- **Direct scope 1 emissions:** for the heating of the offices and plants with natural gas and for the fuel used by the company owned cars, the emission factor taken into account was taken from the table of national standard parameters (valid for the calculation of emissions from January 1st, 2019 to December 31st, 2019) published by the Ministry for the Environment and Protection of the Territory and the Sea. For the refrigerant gas losses of the air conditioners, the emission factors are derived from the UK Department for Environment, Food & Rural Affairs (Defra) database for the years 2018, 2019 and 2020.

- **Energetic indirect scope 2 emissions:** for electricity purchased from the national electricity grid, for the location-based approach, the emission factor was taken from Terna's international comparisons on Enerdata data - 2018 data. Regarding the market-based approach, emission factors refer to the Residual Mix published by the "Association of Issuing Bodies" (AIB) in 2019 for the European countries. In USA, emission factors refer to the "Center for Resource Solutions" ("2020 Green-e Energy Residual Mix Emissions Rates"). As requested by the GRI Standards, for all Countries without accredited residual mixes, the location-based factors were applied. Finally, for the emissions connected to the purchase of heat, the emission factors refer to Defra database for the years 2018, 2019 and 2020.

GRI Content Index

All standards used refer to the GRI Standards version published in 2016.

GRI Standard	Disclosure	Description	Page	Omission
GRI 102: General Disclosures				
Organizational profile	102-1	Name of the organization	<i>Pag. 1</i>	
	102-2	Activities, brands, products and services	<i>Pagg. 5 – 9</i>	
	102-3	Location of headquarters	<i>Pagg. 1, 10 – 11</i>	
	102-4	Location of operations	<i>Pagg. 10 – 11</i>	
	102-5	Ownership and legal form	<i>Pag. 10</i>	
	102-6	Markets served	<i>Pagg 9-11</i>	
	102-7	Scale of the organization	<i>Pagg. 9 – 11</i>	
	102-8	Information on employees and other workers	<i>Pagg. 12, 56</i>	
	102-9	Supply chain	<i>Pagg. 11, 40, 52 - 53</i>	
	102-10	Significant changes to the organization and its supply chain	<i>Pagg. 9 – 10, 67</i>	
	102-11	Precautionary Principle or approach	<i>Pagg. 23 – 25, 69</i>	
	102-12	External initiatives	<i>Pagg. 16, 32 – 33, 38, 43, 53 -54</i>	
	102-13	Membership of associations	<i>Pagg. 33, 36, 53 – 54</i>	
Strategy	102-14	Statement from senior decision-maker	<i>Pag. 4</i>	
	102-15	Key impacts, risks, and opportunities	<i>Pagg. 23 – 25</i>	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	<i>Pagg. 22-23</i>	
Governance	102-18	Governance structure	<i>Pagg. 13, 55</i>	
Stakeholder engagement	102-40	List of stakeholder groups	<i>Pagg. 16 - 17</i>	
	102-41	Collective bargaining agreements	<i>Pag. 12</i>	
	102-42	Identifying and selecting stakeholders	<i>Pagg.16 – 17</i>	
	102-43	Approach to stakeholder engagement	<i>Pagg 16 – 17</i>	
	102-44	Key topics and concerns raised	<i>Pagg 13 – 18</i>	
Reporting practice	102-45	Entities included in the consolidated financial statements	<i>Pag. 10</i>	
	102-46	Defining report content and topic Boundaries	<i>Pagg. 67 - 68</i>	
	102-47	List of material topics	<i>Pagg. 18, 68</i>	
	102-48	Restatements of information	<i>Pagg. 67 – 68</i>	
	102-49	Changes in reporting	<i>Pagg.17 – 19, 67 – 68</i>	
	102-50	Reporting period	<i>Pag. 67</i>	
	102-51	Date of most recent report	<i>Pag. 67</i>	
	102-52	Reporting cycle	<i>Pag. 67</i>	
	102-53	Contact point for questions regarding the report	<i>Pag. 74</i>	
	102-54	Claims of reporting in accordance with the GRI Standards	<i>Pag. 67</i>	
102-55	GRI content index	<i>Pag. 70</i>		

GRI Standard	Disclosure	Description	Page	Omission
	102-56	External assurance	<i>Pag. 75</i>	
Material topics				
GRI 200 Economic Standards Series				
Anti-corruption				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 21, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 21 – 22, 23 – 25</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 21 – 22, 23 – 25</i>	
GRI 205 – Anti- corruption	205-3	Confirmed incidents of corruption and actions taken	<i>Pag. 22</i>	
GRI 300 Environmental Standards Series				
Materials				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 40, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 40 – 41, 45, 52</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 40 – 41, 45, 52</i>	
GRI 301 – Materials	301-1	Materials used by weight or volume	<i>Pagg. 41, 63</i>	
Energy				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 47, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 45, 47 – 48</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 45, 47 – 48</i>	
GRI 302 – Energy	302-1	Energy consumption within the organization	<i>Pagg. 48, 64</i>	
Water and effluents				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 50, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 45, 50</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 45, 50</i>	
GRI 303 (2018) – Water and effluents	303-3	Water withdrawal	<i>Pagg. 51</i>	
	303-4	Water discharge	<i>Pagg. 51</i>	
Emissions				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 47 – 48, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 45, 47 – 48</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 45, 47 – 48</i>	
GRI 305 – Emissions	305-1	Direct (Scope 1) GHG emissions	<i>Pagg. 49, 65</i>	
	305-2	Energy indirect (Scope 2) GHG emissions	<i>Pagg. 49 – 50, 66</i>	
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	<i>Pag. 50</i>	
Effluents and waste				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 45, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 45 – 46</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 45 – 46</i>	

GRI Standard	Disclosure	Description	Page	Omission
GRI 306 – Effluents and waste	306-2	Waste by type and disposal method	<i>Pagg. 4, 63</i>	
Environmental compliance				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 45, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 45</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 45</i>	
GRI 307 – Environmental compliance	307-1	Non-compliance with environmental laws and regulations	<i>Pag. 45</i>	
Supplier environmental assessment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 45, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 52</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 52</i>	
GRI 308 – Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	<i>Pag. 52</i>	
GRI 400 Social Standards Series				
Employment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 28, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 28 – 30</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 28 – 30</i>	
GRI 401 – Employment	401-1	New employee hires and employee turnover	<i>Pagg. 30, 57</i>	
Occupational health and safety				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 35 – 36, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 35 – 37</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 35 – 37</i>	
GRI 403 (2018) – Occupational health and safety	403-1	Occupational health and safety management system	<i>Pagg. 24, 36 – 37</i>	
	403-2	Hazard identification, risk assessment, and incident investigation	<i>Pagg. 24, 36</i>	
	403-3	Occupational health services	<i>Pagg. 36</i>	
	403-4	Worker participation, consultation, and communication on occupational health and safety	<i>Pagg. 36</i>	
	403-5	Worker training on occupational health and safety	<i>Pagg. 36</i>	
	403-6	Promotion of worker health	<i>Pagg. 36</i>	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<i>Pagg. 36</i>	
	403-9	Work-related injuries	<i>Pagg. 37, 61 – 62</i>	
	Training and education			
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 28, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 28 – 32</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 28 – 32</i>	

GRI Standard	Disclosure	Description	Page	Omission
GRI 404 – Training and education	404-1	Average hours of training per year per employee	<i>Pagg. 30 – 31, 58 – 59</i>	
	404-3	Percentage of employees receiving regular performance and career development reviews	<i>Pagg. 32, 59</i>	
Diversity and equal opportunity				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 32, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 32 – 35</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 32 – 35</i>	
GRI 405 – Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	<i>Pagg. 34, 55</i>	
	405-2	Ratio of basic salary and remuneration of women to men	<i>Pag. 34</i>	
Human Rights Assessment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 35, 52, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 52</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 52</i>	
GRI 412 – Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	<i>Pag. 36-37</i>	
Supplier social assessment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 35, 52, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 52</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 52</i>	
GRI 414 – Supplier social assessment	414-1	New suppliers that were screened using social criteria	<i>Pag. 52</i>	
Customer health and safety				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 26, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 26 – 27</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 26 – 27</i>	
GRI 416 – Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	<i>Pag. 27</i>	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<i>Pag. 27</i>	
Marketing and labeling				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 26, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 26 – 27</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 26 – 27</i>	
GRI 417 – Marketing and labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	<i>Pag. 27</i>	
Socio-economic compliance				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 13, 17 – 19, 26, 67 – 68</i>	
	103-2	The management approach and its components	<i>Pagg. 13, 23 – 25, 26 – 27</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 13, 23 – 25, 26 – 27</i>	
GRI 419 – Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	<i>Pag. 27</i>	

Contacts

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Independent auditors' report on the "Sustainability Report"

To the board of Directors of
Intercos S.p.A.

We have been appointed to perform a limited assurance engagement on the document "Sustainability Report" (hereinafter "the Sustainability Report") of Intercos S.p.A. and its subsidiaries (hereinafter "the Group") for the year ended on December 31, 2020.

Directors' responsibility on the Sustainability Report

The Directors of Intercos S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative ("GRI Standards"), with reference to the GRI Standards selection as described in the paragraph "Methodological note" of the Sustainability Report.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Report that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for defining the commitments of the Group regarding the sustainability performance, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our audit firm applies the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the Sustainability Report with the requirements of the GRI Standards, with reference to the GRI Standards selection as described in the paragraph "Methodological note" of the Sustainability Report. Our work has been performed in accordance with the criteria established by the principle "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. This principle requires the planning and execution of procedures in order to obtain a limited assurance that the Sustainability Report is free from material misstatements.

Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the *ISAE 3000 Revised* ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the Sustainability Report were based on our professional judgment and included inquiries, primarily with Company's personnel responsible for the preparation of the information included in the Sustainability Report, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

- Analysis of the process relating to the definition of material aspects included in the Sustainability Report, with reference to the criteria applied to identify priorities for the different stakeholders categories and to the internal validation of the process outcomes;
- Comparison of economic and financial data and information included in the Sustainability Report with those Intercos Group's consolidated financial statements;
- Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the Sustainability Report.

In particular, we have conducted interviews and discussions with the management of Intercos S.p.A. and with the personnel of Intercos Europe S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Sustainability Report.

Furthermore, for significant information, considering the Group's activities and characteristics:


- at Group level
 - a) with reference to the qualitative information included in the Sustainability Report, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the sites of Agrate Brianza and Romanengo of Intercos Europe S.p.A., that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Intercos Group for the year ended on December 31, 2020 has not been prepared, in all material aspects, in accordance with the requirements of the GRI Standards, with reference to the GRI Standards selection as described in the paragraph “Methodological note” of the Sustainability Report.

Milan, July 23, 2020

EY S.p.A.,



Paolo Zocchi
(Auditor)