

INTERCOS GROUP

Global Cosmetic Manufacturer

CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH LEGISLATIVE DECREE 254/2016

at December 31st, 2019

Intercos S.p.A.

Registered office

Milan - Generale Armando Diaz Square, 1

Index

Introduction	3
Letter from the President to Intercos Group's Stakeholders	4
Intercos: Acting for today, thinking for tomorrow.....	5
The Group Today – General Information	5
Corporate Governance	13
Sustainability for Intercos	15
The Group's Stakeholders.....	15
Materiality Analysis.....	17
The materiality matrix.....	18
<i>The "Clean" Revolution</i>	19
<i>One Ocean</i>	19
Principal risks and management approach	20
1 Integrity and fighting against corruption.....	23
2 Valuing People.....	26
<i>Our Values</i>	26
Our talents are a resource	27
We Value Diversity	33
<i>Our Solidarity recruiting programs</i>	33
3 Protecting human and labor rights	36
<i>The Responsible Mica Initiative</i>	38
4 Our attention towards the environment	40
Procurement and disposal processes.....	41
<i>The Roundtable on Sustainable Palm Oil</i>	43
The fight against climate change and air pollutant emissions	46
Management of water resources	50
5 Protecting consumers' safety	52
Methodological note.....	55
Reporting scope and standard.....	55
Reporting Process and Calculation Methodology	56
GRI Content Index	58
Contacts	61

Introduction

On December the 6th, 2014, the **Directive 2014/95/EU** (hereinafter also “Directive”) of the European Parliament and the Council entered into force, regulating the disclosure of non-financial and diversity information by certain large undertakings and groups, among which are listed and public interest companies, including Intercos Group. The Directive demonstrates the commitment of the EU legislator to contribute to a transition towards a global sustainable economy that combines long-term profitability with social justice and environmental protection, promoting the valuing of companies that implement transparent management policies aimed at improving their sustainability performance.

In the Italian legislation, the Directive has been transposed by the **Legislative Decree n. 254 of December the 30th, 2016** (hereinafter the “Decree”), which requires large-scale public interest entities to publish a Consolidated Disclosure of Non-financial Information (NFI), containing information on the five main areas of a Company’s sustainability performance: environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, in order to provide a complete overview of the company’s activities, performance, development and impact. For each of these five areas, the Decree requires a description of the main risks, the policies practiced and/or formalized by the company, the governance model, and the key performance indicators (Art. 3 c.1).





The Intercos Group, as a large public interest company, is subject to the aforementioned Decree for the 2018 reporting year. This NFI was prepared to fulfill this legal requirement and to assess the Company’s non-financial performance in 2018 and, where possible, along past years.

Reading guide

Coherently with the requests of the Decree, the present NFI is structured in five chapters (chapters 1-5), one for each sustainability area, containing both qualitative and quantitative information:

- “**Valuing our people**” on employee matters;
- “**Protecting human and labor rights**” on respect for human rights,
- “**Our attention towards the environment**” on environmental matters,
- “**Fighting against corruption and bribery**” on anti-corruption and bribery matters;
- “**Protecting customers’ safety**” on social 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,

Intercos Group presents the "Consolidated Disclosure of Non-Financial Information" for the third consecutive year.

2019 reported data highlight the Group's progress in the path to sustainability: together with the continuation of activities concerning the reconfirmation of plants' social and environmental certifications worldwide, during the year Intercos has defined its own commitments towards the sensitive topics of environmental safeguard and social responsibility.

The Group has further elaborated its own governance methodology to monitor and evaluate the actions implemented in accordance with last year's undertakings: among the most relevant and impactful topics for our core business, the education of our employees on their wealth and safety safeguard; the responsible supply of raw materials, aimed at passing our values down to the supply chain; the reduction of our plants' environmental impact. With specific reference to this last point, we spot some crucial areas of intervention concerning waste management and the reduction of GHG emissions in the atmosphere.

In particular, I would like to stress Intercos' undertaking of offering products and technologies that are qualified under both the environmental profile and the ethical conduct, characteristics of preeminent strategic importance in the cosmetics sector.

Furthermore, 2019 has witnessed a growing commitment of the Group's foreign subsidiaries that have worked together with the corporate functions, showing an increasing awareness towards sustainable development matters and a greater effectiveness regarding non-financial disclosure.

While presenting the 2019 Declaration, I would like to stress on how such a reporting instrument is important for Intercos, particularly in this historical moment, since it provides stakeholders with the opportunity to acknowledge the Group's commitment and results in the field of sustainability. I would like to highlight the fact that these results are officially accepted by the main, independent sustainability performance assessment entities (Ecovadis, CDP) that incidentally awarded Intercos' continuous progress in the last years.

Agrate B., January 31st, 2019

Dario Gianandrea Ferrari
President of Intercos Group

Intercos: Acting for today, thinking for tomorrow.

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 *"to be the preferred partner of all cosmetic brands. To offer the most innovative and creative products with a competitive mindset and the fastest time to market"*. 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 aims *"to anticipate the future of beauty with a visionary approach, an agile attitude and a commitment to simplicity"*.

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

Ability to create new products and to anticipate consumer trends and demands

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.

Una piattaforma produttiva globale, strutturata ed efficiente

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.

Positioning as an industry leader in the reference market

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.

Favorable market dynamics

According to estimates by the leading consulting firm based on published sources, in 2018 the beauty market reached an amount of approximately €413 billion globally, achieving a Compound Annual Growth Rate (CAGR) of 4.7% during the period 2013-2018. It is also estimated that the beauty segment will continue to grow during

the period 2018-2023 with a CAGR of 6.1%. Note should be taken that personal care products are also considered part of the beauty market.

Color cosmetics

In 2018 the color cosmetics segment was estimated to be worth approximately €59 billion globally, or some 14% of the beauty market. In the period 2013-2018 the market reported a CAGR of about 6%. It is estimated that in the period 2018-2023 the segment will continue to grow at a rate along the lines of the historical rate of around 6%.

In 2018, it was estimated that approximately 59% of the market is formed by the so-called mass product market (in terms of price, distribution and market perception), in which the CAGR – both historically and prospectively – will be less than that reported by the so-called premium product segment. In particular, in the period 2013-2018 the mass market grew at a rate of about 5% compared to a rate of 8% by the premium segment and in the period 2018-2023 the CAGRs for the two segments are predicted to remain unchanged.

From a geographical standpoint, the Americas represent the geographical region that is the most significant in terms of its current contribution to total market value in the color cosmetics segment (€21,359 million, or approximately 36% in 2018), with a CAGR of about 6% in the period 2013-2018 and an expected CAGR of around 5% in the period 2018-2023. Asia is the second largest geographical region (€19,553 million, or approximately 33% in 2018), with a CAGR of about 8% in the period 2013-2018 and an expected CAGR of around 8% in the period 2018-2023. EMEA is the third largest geographical region (€18,195 million, or approximately 31% in 2018), with a CAGR of about 5% in the period 2013-2018 and an expected CAGR of around 6% in the period 2018-2023.

Skincare

In 2018 the skin care market was worth approximately €114 billion globally, or approximately 28% of the beauty market. In the period 2013-2018 the market reported a CAGR of about 5% and it is estimated that in the period 2018-2023 the segment will continue to grow with a CAGR of around 6%.

From a geographical standpoint, Asia represents the geographical region that is the most significant in terms of its current contribution to total market value in the skin care segment (€61,067 million, or approximately 54% in 2018), with a CAGR of about 6% in the period 2013-2018 and an expected CAGR of around 7% in the period 2018-2023. EMEA is the second largest geographical region (€26,992 million, or approximately 24% in 2018), with a CAGR of about 4% in the period 2013-2018 and an expected CAGR of about 6% in the period 2018-2023. The Americas are the third largest geographical region (€25,989 million, or approximately 23% in 2018), with a CAGR of around 5% in the period 2013-2018 and an expected CAGR of about 6% in the period 2018-2023.

In 2018 the mass segment accounts for approximately 63% of the total market with a CAGR in the period 2013-2018 of 5% which is expected to increase to 6%. The premium segment, despite its smaller size (37% of the skin care market), recorded a higher CAGR (6%) in the period 2013-2018 which should further improve (7%) in the period 2018-2023.

Haircare

In 2018 the hair care market was worth about €65 billion globally, or 16% of the beauty market. In the period 2013-2018 the market reported a CAGR of about 3% and it is estimated that in the period 2018-2023 it will continue to grow with a CAGR of around 6%.

From a geographical standpoint, the Americas represent the geographical region that is the most significant in terms of its current contribution to total market value in the hair care segment (€22,457 million, or approximately 34% in 2018), with a CAGR of about 4% in the period 2013-2018 and an expected CAGR of around 5% in the period 2018-2023. Asia is the second largest geographical region (€21,963 million, or approximately 34% in 2018), with a CAGR of around 4% in the period 2013-2018 and an expected CAGR of about 5% in the period 2018-2023. EMEA is the third geographical region (€21,071 million, or approximately 32% in 2018), with a CAGR of around 3% in the period 2013-2018 and an expected CAGR of about 7% in the period 2018-2023.

In 2018 the mass market segment accounts for approximately 85% of the market with a CAGR in the period 2013-2018 of 3%, which is expected to increase to 5%. The premium segment, despite its smaller size (15% of the hair care market) reported a higher CAGR of 5% in the period 2013-2018 which should further improve to 7% in the period 2018-2023.

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 hydrodispersibility, 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 & body segment includes: shampoos, gels, shower gels, body lotions, face and hand creams, aftershaves, toothpastes and soaps.

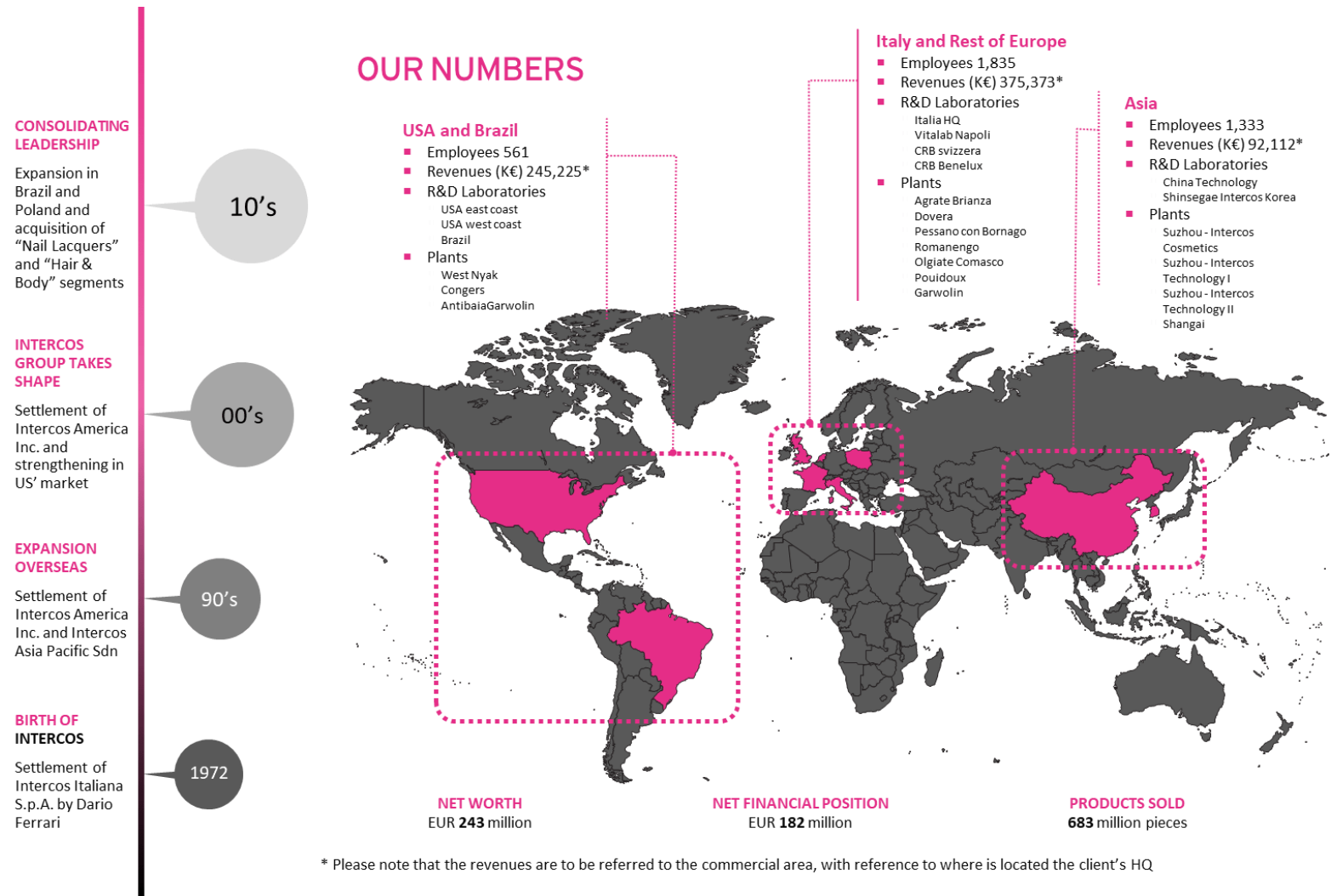
The Group's success is based on its ability to cover all the geographical areas that have the greatest potential for development and to be innovative in all stages of the production process: from the research and testing of raw materials to the formulation and development of finished products; from the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

As of December 31st, 2019, 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 of Korea¹, as well as commercial offices and 11 research and development centers all over the world (*Figure 1*).

¹ The Osan plant (South of Korea) of Shinsegae Intercos Korea Inc. is not included in the reporting perimeter as this company is consolidated using the equity method.

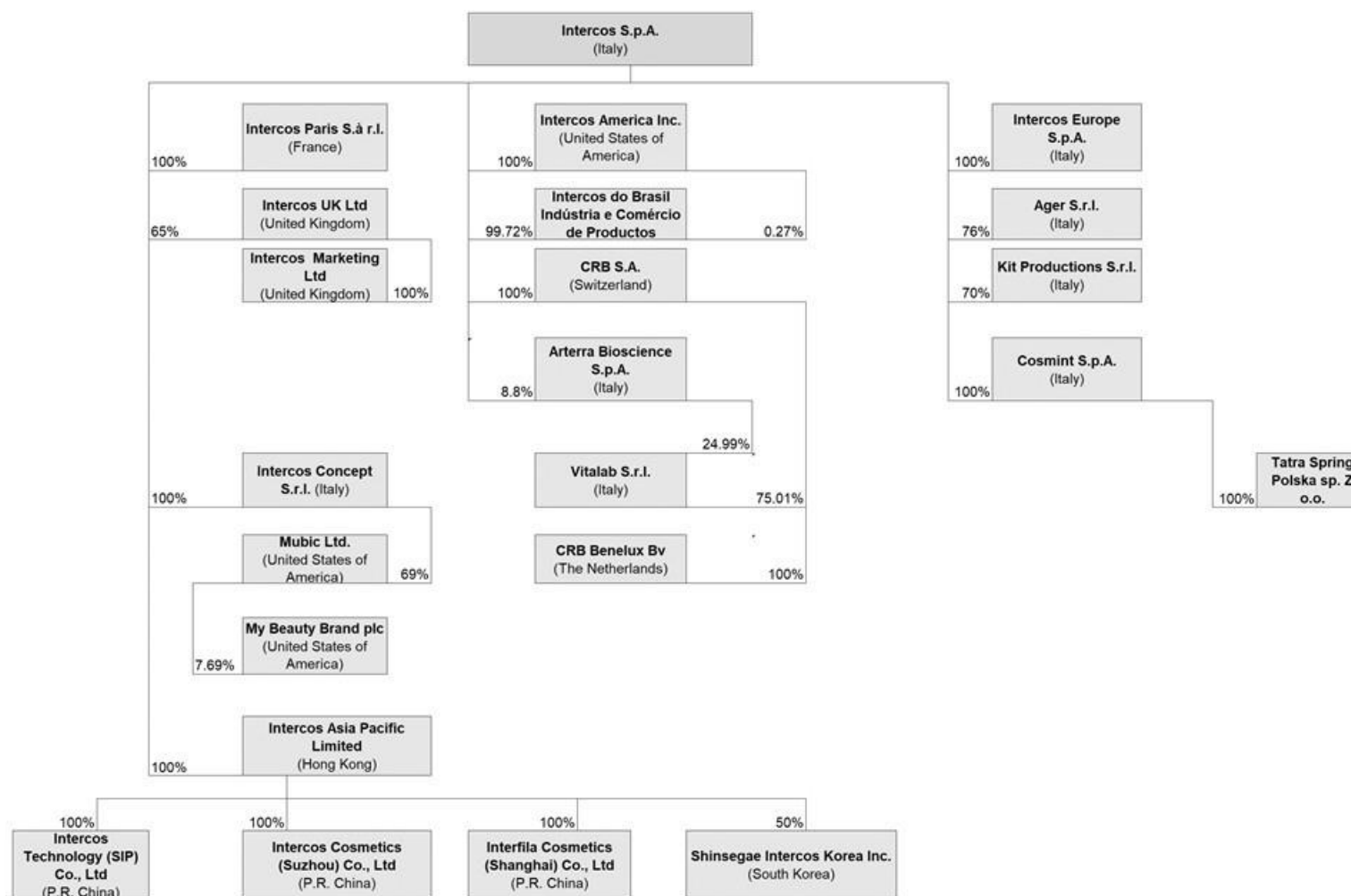
Figure 1: Organizational structure of Intercos Group as of December 31st, 2019

Presence in the World



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 2*). For reporting purposes, the scope of consolidation of the present NFI coincides with that applied to financial disclosures according to the line-by-line consolidation method, therefore the joint companies in South Korea (Shinsegae Intercos Korea Inc. and Hana Co. Ltd.) are excluded, as consolidated using the equity method, as well as Lariana Depur S.p.A., recognized at cost.

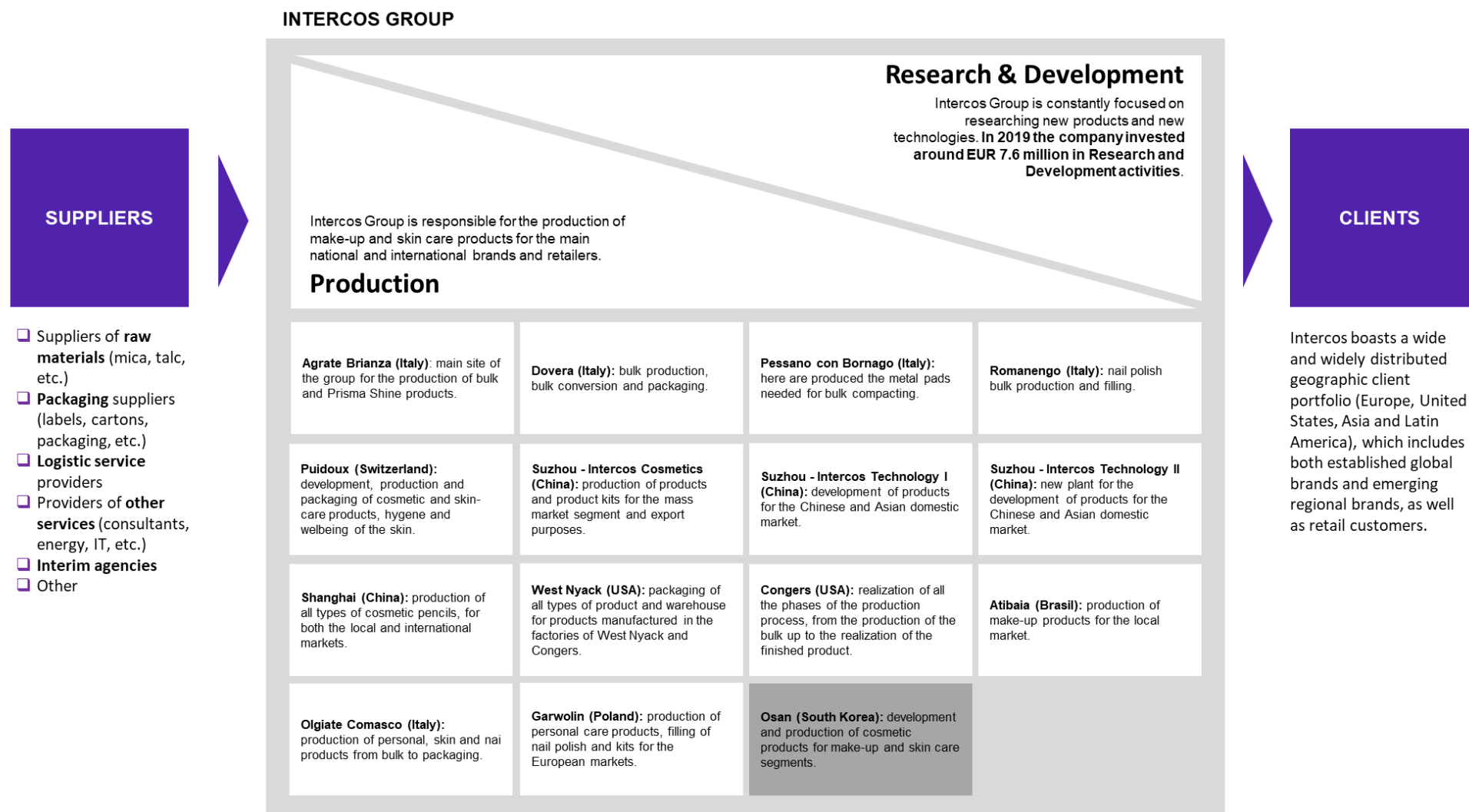
Figure 2: Organizational structure of Intercos Group as of December the 31st, 2019



During the year 2019 the following significant events took place, which led to some changes in consolidation area if compared to 2018:

- Cessation of every activity and the definitive closing of any receivable or payable position whatsoever of the company Marketing Projects S.r.l. in liquidation, 100%-owned by Intercos S.p.A.;
- Subscription, by Intercos Concept S.r.l., of an equity investment in Mubic Ltd. equal to 69%, with the remaining 31% held by a third-party;
- Acquisition by Mubic Ltd. of a minority share (7.69%) of the start-up company My Beauty Brand;
- Acquisition by Intercos S.p.A. of a minority interest (8.8%) in Arterra Bioscience S.p.A. (formerly Arterra Bioscience S.r.l.);
- Sale against payment by Cosmint S.p.A. of all Lariana Depur S.p.A. shares in its possession;
- Signing, by Intercos Asia Pacific Limited, of the agreement for the sale of its 20% minority stake in the Korean company Hana Co. Ltd. to the same company, with the consequent exclusion of the Korean company from the consolidation area.

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:



* The Osan plant (South of Korea) of Shinsegae Intercos Korea Inc. is not included in the reporting perimeter as this company is consolidated using the equity method.

For what concerns the workforce composition, by the end of 2019 Intercos Group counted **3,729 employees** (Table 1) with 134 new employees with respect to 2018. A significant share of women (about 64% of total employees) is also to be stressed, concentrated mainly in Italy (39%) and in China² (36%) and to a lesser extent in the other Countries where the company operates (United States, Switzerland, France, United Kingdom, Poland and Brazil). All Group's employees are covered by collective bargaining agreements, with the exception of Intercos America where employees are covered by individual bargaining agreements. Almost all employees have permanent contracts (96%) and full-time contracts (about 99%). Furthermore, during the year, the company employed an average of 2.289 temporary workers, interns and external consultants.

Table 1: GRI 102-8 (b): number of employees by type of contract (permanent and temporary) and by region

Type of contract	Year	Permanent	Temporary	Total employees
Italy	2017	1,323	47	1,370
	2018	1,348	55	1,403
	2019	1,417	23	1,440
Rest of Europe	2017	190	49	239
	2018	244	93	337
	2019	275	120	395
USA	2017	394	0	394
	2018	453	0	453
	2019	438	0	438
Brazil	2017	107	0	107
	2018	100	0	100
	2019	123	0	123
China	2017	1,337	0	1,337
	2018	1,302	0	1,302
	2019	1,333	0	1,333
Total	2017	3,351	96	3,447
	2018	3,447	148	3,595
	2019	3,586	143	3,729

Table 2: GRI 102-8 (a): number of employees by type of contract (permanent and temporary) and by gender

Type of contract	men			women		
	2017	2018	2019	2017	2018	2019
Permanent	3,351	3,447	3,586	1,256	1,274	1,304
Temporary	96	148	143	40	53	52
Total employees	3,447	3,595	3,729	1,296	1,327	1,356

Table 3: GRI 102-8 (c): 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		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Full-time	3,403	3,542	3,671	1,293	1,324	1,350	2,110	2,218	2,321
Part-time	44	53	58	3	3	6	41	50	52
Total employees	3,447	3,595	3,729	1,296	1,327	1,356	2,151	2,268	2,373

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

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 Non-Financial Declaration, the Board of Directors is composed of 11 directors, of which 8 men and 3 women. The Directors remain in office for 3 financial years and may be re-elected. Further details are illustrated in the table below.

Table 4: GRI 102-18 (a) e 405-1 (a): Composition of the Board of Directors

Name and last name	Carica	Role		Gender
		Executive	Non-executive	
Dario Gianandrea Ferrari	President			M
Ludovica Arabella Ferrari	Director			F
Gianandrea Ferrari	Director			M
Thukral Nikhil Kumar	Director			M
James Michael Chu	Director			M
Renato Semerari	Director			M
Ciro Piero Cornelli	Director			M
Decio Masu	Director			M
Ginevra Ott	Director			F
Maggie Fanari	Director			F
Junbae Kim	Director			M

The Board of Statutory Auditors is composed of three standing statutory auditors and two 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 table below.

Table 5: GRI 102-18 (a) e 405-1 (a): 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

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 following table.

Tabella 6: GRI 102-18 (a) e 405-1 (a): Composition of the Supervisory Body

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

Sustainability for Intercos

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 and 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 a 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.

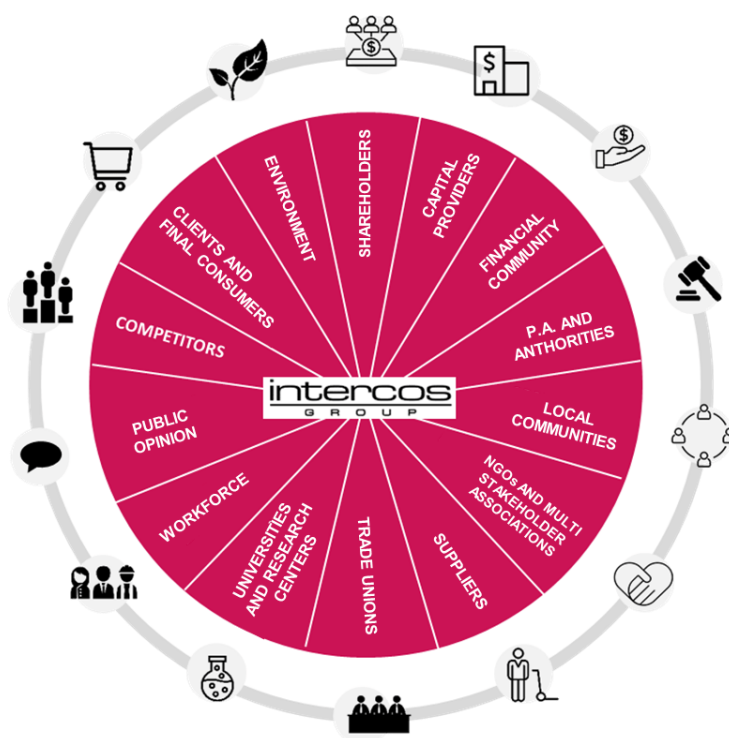
Furthermore, aiming at finding the Group's material topics, Intercos updated its stakeholders map and materiality analysis conducted in 2018, through interviews and discussions with the management and in line with GRI Sustainability Reporting Standards (hereinafter also "GRI Standards"), published in 2016 by the GRI – Global Reporting Initiative. Such effort allowed to identify the relevant topics for the Company and Stakeholders, in relation with the five areas of the Decree 254/2016. The materiality matrix update has not entailed major changes respect to 2018.

The 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) • "One Ocean" initiative
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 • "One Ocean" initiative • Website, social media, press releases, newsletter
Clients and final consumers	<ul style="list-style-type: none"> • Periodical business reviews on sustainability topics • Sector exhibitions

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, according to the five areas of the Decree 254/2016 (environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters);
- **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.

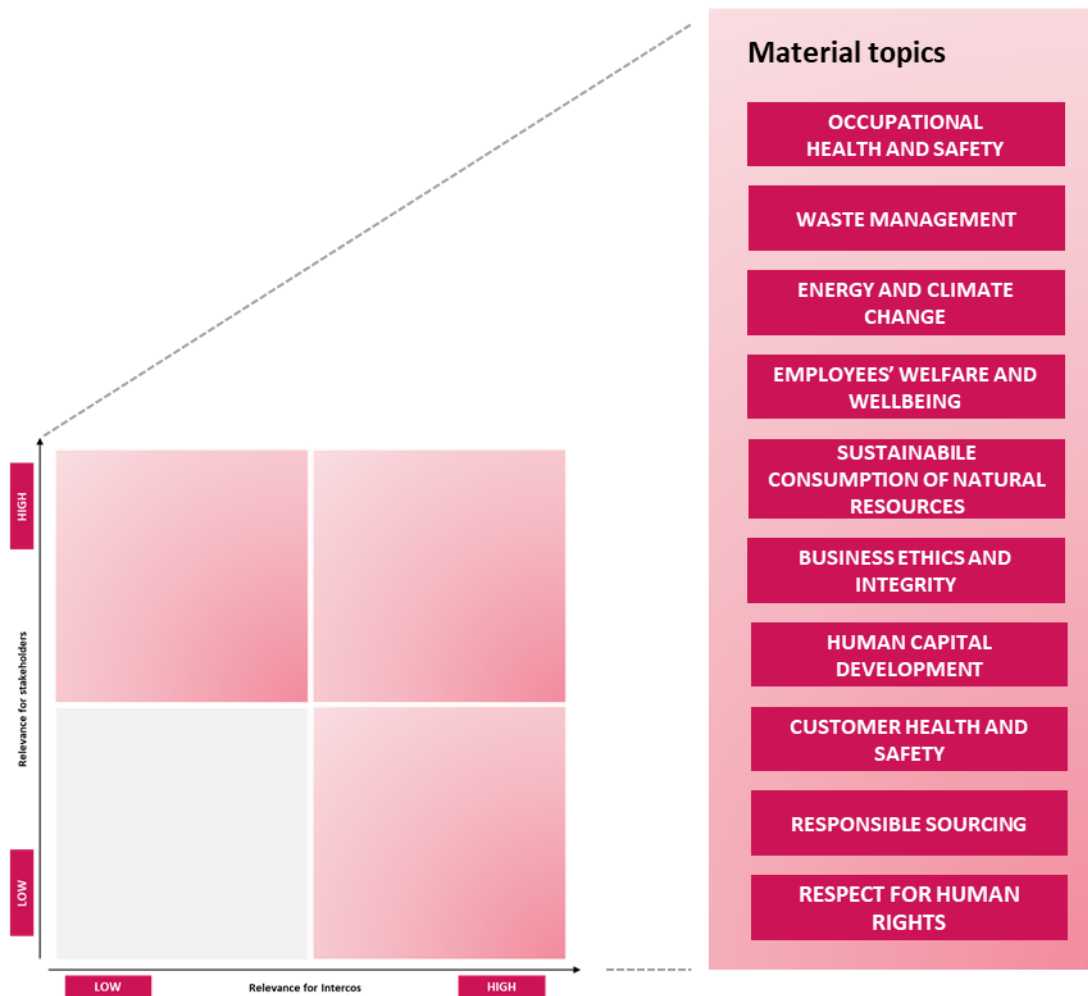
In particular, for what concerns topics' relevance according to the Company's perspective, interviews were held in 2019 with the main corporate functions, whom were asked, starting from the 2018 materiality matrix, to update every topic importance, taking into consideration their impact on the Company's capability to create value and their potential risks/opportunities related to each aspect.

The topics' relevance according to the stakeholders of the Group, 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 NFI 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 “**Waste management**”, coherently in line with Intercos’ productive reality;
- “**Customer health and safety**”, “**Reponsible sourcing**” 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**” and “**Sustainable consumption of natural resources**” 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.

The materiality matrix update has not entailed major changes from 2018.

The “Clean” Revolution

As part of the sustainability path undertaken during 2018, Intercos Group has launched in March 2019 its new *Clean Collection*, both for the make-up and skin-care segments. The Clean Collection is essentially based on three fundamental pillars that characterize the product supply:

GOOD FOR YOU: *Clean Revolution* products are based on a clearly defined “*clean list*”, thus produced avoiding the use of any ingredients that might be perceived as controversial and promoting the “*less is more*” philosophy, thus ensuring 100% trust and transparency to end users;

GOOD FOR LIFE: the *Clean Revolution* products guarantee the respect for the rights of the communities where the natural materials are sourced, by adopting RSPO and RMI certified palm oil and mica, but also by selecting and monitoring suppliers’ ethical performance in terms of safety, human rights and compliance with local legislation. In addition, these products are good for wildlife and all animals, as they are made 100% vegan and thus cruelty-free from animal testing;

GOOD FOR THE PLANET: *Clean Revolution* also means innovating while reducing the *Carbon Footprint* of products and safeguarding the environment. For this reason, “*Clean*” products will be produced by promoting the use of recycled ingredients (for example the by-products from the food industry), the reduction of water consumption and the selection of locally-sourced, alternative, biodegradable, recycled and/or recyclable packaging materials.

One Ocean

Created in 2017 thanks to the commitment of the founding member Yacht Club Costa Smeralda, One Ocean Foundation aims “*to accelerate solutions to ocean issues promoting sustainable blue economy and enhancing knowledge through ocean literacy.*” One Ocean calls individuals, organizations and companies to commit to its goal through the development of specific projects that help safeguard marine life.

The first and most relevant project promoted by the Foundation is the **Charta Smeralda**: an ethical code of conduct to be signed and applied in order to contribute to safe-keep the ocean.

With Charta Smeralda, One Ocean wants to take action for the 2030 Agenda for Sustainable Development Goals (SDGs) approved by the United Nations, in particular for the SDG14 that focuses on “life below water” initiatives.

The principles and commitments specifically related to organizations included in the Charta Smeralda are:

- managing the organization in accordance with sustainable development principles and environmental protection policies;
- adopting an environmental policy and implement an environmental plan to minimize impact;
- being responsible and transparent through the assessment and monitoring of the environmental impact;
- adopting a behavior, technologies and solutions that reduce the environmental impact;
- collaborating and sharing ideas, innovative solutions and best practices with others;
- supporting the scientific community and its initiatives, as well as the collection of data and information;
- educating, communicating and involving new generations;
- promoting awareness, communicating and spreading the Charta Smeralda.

As a world leading company in beauty sector, during 2017 Intercos supported the One Ocean Forum to help promoting good practices in the use of marine resources. Starting from 2019, Intercos has become one of the main partner of One Ocean Foundation.

Principal risks and management approach

In accordance with the Legislative Decree 254/2016 requirements and its following modifications and integrations, hereafter a selection of non-financial risks is disclosed. In particular, for each area of the Decree, the following table summarizes the principal non-financial risks generated or suffered by Intercos, through its activities and along the value chain, as well as the main management approach to face such risks.

Legislative Decree 254/2016 area	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 particular 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*
	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	<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*

Legislative Decree 254/2016 area	Risk	Description of the risk	Management approach
		malfunctions or breakages in the treatment systems.	<ul style="list-style-type: none"> 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 an health and safety management system OHSAS 18001 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 Intercos Europe S.p.a. Cosmint S.p.A., CRB S.A., Intercos America Inc. and Interfila Cosmetics (Shanghai) Co. Ltd. which allows periodical audits with regard to 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 Intercos Europe S.p.a. Cosmint S.p.A., CRB S.A., Intercos America Inc. and Interfila Cosmetics (Shanghai) Co. Ltd. which allows periodical audits with regard to 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* 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/ingred	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	<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

Legislative Decree 254/2016 area	Risk	Description of the risk	Management approach
	Risks at contract level	customer and which may be subject to limitations in the future;	<ul style="list-style-type: none"> • 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 guide lines 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.

1 Integrity and fighting against corruption

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.

To this end, all personnel receives an annual compulsory training course with the purpose of ensuring the effective knowledge of the Legislative Decree 231/2001, of the Code of Ethics, of the Code of Conduct and of the Organizational Model, and therefore also of the principles related to the fight against corruption adopted by the Group, by all the company divisions and departments.

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, including the definition of the commitment to guarantee the separation of duties, authority limits, the definition of and communication on powers, and the coherence of powers granted with the responsibilities assigned;
- the management of financial resources, requiring companies to equip themselves with the necessary internal procedures to allow for: a) a continuous monitoring and traceability of transactions; b) the separation of functions dealing with payment requests, payments and control of the transactions performed; c) the retention of accounting records; d) the use of banks and financial intermediaries that comply with regulations on transparency and correctness; relations with third parties, which must always be formalized and supported by appropriate contractual clauses, with regards to established market practices and applicable tariffs

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 the methodology, the duties, the responsibilities and the 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 good performance, correctness and impartiality of this type of relationships; the Procedure for the management of contractual relationships with sales agents, which defines the manner in which the relationship with sales agents is contracted and conducted in compliance with the Italian law, the Code of Ethics, the Code of Conduct and the Organizational Model; 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, regulating and ensuring – by the institution of appropriate channels of communication – the receipt, analysis and handling of such reports; 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; and 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.

It should be noted that, during the three-year period 2017-2019, 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.

The Code of Conduct clearly expresses the Vision and Mission of Intercos Group: **“To be the preferred partner of all cosmetic brands. To offer the most innovative and creative products with a competitive mindset and the fastest time to market”** and **“To anticipate the future of beauty with a visionary approach, an agile attitude and a commitment to simplicity”**. The Code of Conduct, which constitutes an integral part of the Organization Model (pursuant to Legislative Decree 231/2001) adopted by the Parent Company, 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.

2 Valuing People

Intercos Group places the utmost attention on the development of its employees and in 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. For what concerns the issues related to employees' health and safety, they are addressed in the chapter "The protection of human and workers' rights."

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 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".

Our talents are a resource

The management of the aspects linked to talents' attraction development are delegated to a central Human Rights function, reporting directly to the CEO, 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 of 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 employer-branding policies to bring young people and professionals closer to the cosmetics sector and the Group.

Employee training

Once in the company, new recruits participate in a training session aimed at facilitating their insertion. The training program is defined locally by each company function based on the guidelines defined by the Group's Human Resources division. It includes a general presentation of the company, its policies and safety rules, as well as specific training modules based on the role and tasks to be performed by the new employee.

Furthermore, starting from 2019's last quarter, Welcome Days were introduced, a unique induction day organized at the HQs in Agrate Brianza, dedicated to the new employees and designed to improve and make the onboarding process more efficient. Sustainability and Social Responsibility are among the corporate issues covered by the initiative. At present, the Welcome Day is scheduled for new employees at the offices in Agrate, Dovera and Romanengo, but it will be gradually extended to the other Group's subsidiaries as well.

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 a training about relationship's efficacy, aiming at improving communicational and relational skills with colleagues 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, France 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”. 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 Adventure Time: the program aims to reinforcing the skills acquired through different paths focused on emotional intelligence and the relation with others.

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

Performance evaluation

Also with a view to developing 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 happy and healthy working 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 an 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 following tables (Table 7; Table 8) report data on the total number and rate of new employee hires and turnover in the three-year period 2017-2019, broken down by geographical area, gender and age group. In 2019, 703 new units have been hired (-14% with respect to 2018), and 570 contract terminations (-14% with respect to 2018). The highest hire rate was recorded in Brazil (34.1%), followed by the rest of Europe (30.9%) and China (25.2%), while the highest turnover rate was registered in China (22.9%), followed by the Rest of Europe (16.2%) and Brazil (15.4%).

Table 7: GRI 401-1 (a): 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.)	Total (%)	
Italy	2017	17	33	8	58	10.6%	39	55	4	98	12.1%	11.5%
	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%
Rest of Europe	2017	6	12	2	20	26.0%	29	16	1	46	28.4%	27.6%
	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%
USA	2017	8	12	0	20	11.1%	18	19	4	41	19.2%	15.5%
	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%
Brazil	2017	2	1	0	3	14.3%	6	1	0	7	8.1%	9.3%
	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%
China	2017	99	54	0	153	33.0%	189	67	0	256	29.3%	30.6%
	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%

Table 8: GRI 401-1 (b): 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.)	Total (%)	
Italy	2017	9	21	9	39	7.1%	8	29	6	43	5.3%	6.0%
	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%
Rest of Europe	2017	5	9	1	15	19.5%	8	13	4	25	15.4%	16.7%
	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%
USA	2017	11	19	5	35	19.4%	13	35	6	54	25.2%	22.6%
	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%
Brazil	2017	4	11	1	16	76.2%	2	5	0	7	8.1%	21.5%
	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%
China	2017	12	28	1	41	8.9%	77	21	0	98	11.2%	10.4%
	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%

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

During 2019, a total of approximately 51,184 hours of training were provided (13.7 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 19.8 and 32.9 hours of training per capita were provided respectively.

The decrease in hours of training in Italy between 2017 and the 2018-2019 two-year period is mainly due to the multi-annual training paths related to HSE, human rights and fight against corruption.

Table 9: Training hours by subject

Subject	Year	HSE	Languages	Human Rights	Anti-corruption	Technical/ manufacturing/ Quality	Soft Skills/ Leadership	Total
Italy	2017	17,724	8,261	3,425	2,377	26,938	8,773	67,498
	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
Rest of Europe	2017	99	198	0	6	291	254	848
	2018	1,618	526	0	0	1,216	952	4,312
	2019	2,151	499	0	0	1,293	640	4,583
USA	2017	2,790	0	0	0	0	148	2,938
	2018	2,985	0	0	0	998	176	4,159
	2019	2,695	0	0	0	760	145	3,600
Brazil	2017	102	0	250	150	2,004	0	2,506
	2018	379	0	379	379	1,927	703	3,767
	2019	408	0	408	408	2,073	756	4,053
China	2017	1,830	0	0	0	6,862	2,744	11,436
	2018	3,295	347	0	0	7,878	2,544	14,064
	2019	3,417	221	50	0	3,974	2,762	10,424
Total	2017	22,545	8,459	3,675	2,533	36,095	11,919	85,226
	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

Table 10: GRI 404-1 (a-i): Average training hours per employee, by region and gender

Gender	Year	Men	Women	Total
Italy	2017	47.70	50.80	49.6
	2018	31.27	19.38	24.2
	2019	22.02	18.36	19.8
Rest of Europe	2017	4.10	3.30	3.5
	2018	11.89	13.28	12.8
	2019	10.89	11.96	11.6
USA	2017	7.80	7.20	7.5
	2018	9.34	9.06	9.2
	2019	8.18	8.25	8.2
Brazil	2017	28.90	22.10	23.4
	2018	37.65	37.68	37.7
	2019	55.42	28.84	32.9
China	2017	7.10	9.30	8.6
	2018	13.80	3.18	10.8
	2019	7.34	8.05	7.8
Total	2017	24.60	24.90	24.8
	2018	20.85	14.34	16.7
	2019	14.64	13.18	13.7

Table 11: GRI 404-1 (a-ii): Average training hours per employee, by region and employee category³

Category	Year	Directors & Executives	Managers	Employees	Workers	Total
Italy	2017	67.7	20.15	44.1	34.2	49.6
	2018	8.9	26.6	28.0	20.8	24.2
	2019	26.3	47.5	17.8	17.7	19.8
Rest of Europe	2017	4.0	2.8	6.5	1.0	3.5
	2018	2.3	15.6	16.5	9.5	12.8
	2019	3.2	16.8	12.7	10.5	11.6
USA	2017	6.2	17.6	17.8	1.4	7.5
	2018	4.2	24.5	23.0	2.2	9.2
	2019	4.4	24.1	19.8	2.3	8.2
Brazil	2017	160	24.0	27.8	22.0	23.4
	2018	10.0	4.6	37.3	44.3	37.7
	2019	10.7	4.9	37.5	35.2	32.9
China	2017	4.7	21.1	13.7	5.9	8.6
	2018	18.8	31.0	14.3	7.9	10.8
	2019	6.5	17.9	9.4	6.5	7.8
Total	2017	32.1	97.8	29.2	14.8	24.8
	2018	8.8	25.6	22.6	12.4	16.7
	2019	14.9	30.5	15.6	10.8	13.7

³ For companies abroad, the categories correspond to the following: *Directors & Executives, Managers, Employees and Workers.*

Performance evaluation is carried out heterogeneously in the different countries where Intercos operates. In 2019, China and Brazil are the countries where the performance assessment process is more widespread, with respectively 100% and 65% 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. 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.

Table 12: GRI 404-3 (a): 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	2017	40.40%	49.60%	69.70%	88.20%	78.20%	7.50%	45.80%
	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%
Rest of Europe	2017	42.90%	47.50%	100.00%	100.00%	60.80%	21.90%	46.00%
	2018	24.58%	22.83%	42.86%	83.33%	40.40%	0%	23.44%
	2019	12.12%	34.98%	77.78	80%	42.95%	8.02%	27.34%
USA	2017	43.30%	25.70%	72.20%	38.70%	33.00%	30.50%	33.80%
	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%
Brazil	2017	23.80%	18.60%	100.00%	100.00%	46.20%	0%	19.60%
	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%
China	2017	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	2018	100%	100%	100.00%	100.00%	100.00%	100.00%	100.00%
	2019	100%	99.44%	100.00%	100.00%	91.62%	100.00%	99.62%

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 is 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.

In Italy, 2019 has witnessed the renewal of the program "Without borders" launched in 2018 together with an external specialized society. Thanks to local authorities and associations, the project has allowed the initiation of numerous contacts with asylum seekers in the territories of Agrate and Dovera, offering them the opportunity to attend a training course aimed at teaching the skills and abilities necessary to become a production operator. During the course, people had the opportunity to visit the two plants, talk to production managers and be evaluated by their tutor. 14 people were therefore selected for an internship in the company and, among these, a total of 9 were placed in our staff (4 in the Agrate plant and 5 in the Dovera plant).

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, with particular attention to economically vulnerable communities in the city of Atibaia. In coming years, the Group commits to expanding the initiative in other villages too.

The table below provides information on Intercos' workforce, broken down by gender, region, category and age group. The highest percentage of women executives is found in Brazil and the rest of Europe, where it stands at 67%. At the managerial level the highest female share is recorded in Brazil as well (67%), followed by the rest of Europe (64%) and the United States (63%). Minimal shifts between geographical areas are recorded as far as employees are concerned in terms of female presence: Brazil leads by a solid 74%, followed by the rest of Europe, China and Italy (72%). Finally, among blue-collar workers, the largest female presence is found in Brazil (85%), followed by China (66%).

Table 13: 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		
			2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Directors & Executives	men	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		30 ≤ x ≤ 50	48%	37%	28%	0%	14%	22%	33%	20%	20%	0%	33%	33%	8%	46%	29%
		> 50 years	30%	45%	38%	50%	29%	11%	11%	10%	20%	50%	33%	0%	25%	8%	29%
	women	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		30 ≤ x ≤ 50	6%	8%	21%	17%	29%	33%	39%	50%	40%	50%	33%	33%	58%	46%	43%
		> 50 years	15%	11%	13%	33%	29%	33%	17%	20%	20%	0%	0%	33%	8%	0%	0%
Managers	men	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	4%	14%	0%	0%	0%	0%	0%
		30 ≤ x ≤ 50	21%	18%	22%	6%	17%	24%	16%	18%	26%	14%	33%	33%	40%	41%	42%
		> 50 years	28%	28%	25%	18%	6%	12%	13%	3%	7%	14%	0%	0%	2%	2%	2%
	women	< 30 years	0%	4%	0%	0%	0%	0%	19%	29%	11%	0%	0%	0%	2%	0%	0%
		30 ≤ x ≤ 50	38%	40%	40%	71%	78%	64%	35%	32%	33%	57%	67%	67%	56%	58%	57%
		> 50 years	13%	9%	14%	6%	0%	0%	16%	18%	19%	0%	0%	0%	0%	0%	0%
Employees	men	< 30 years	6%	4%	5%	4%	11%	9%	17%	16%	12%	12%	14%	10%	16%	6%	6%
		30 ≤ x ≤ 50	16%	17%	16%	13%	17%	17%	18%	18%	14%	19%	17%	16%	20%	17%	20%
		> 50 years	6%	6%	6%	0%	1%	1%	3%	8%	9%	4%	0%	0%	1%	1%	1%
	women	< 30 years	14%	12%	16%	33%	34%	32%	27%	29%	31%	8%	14%	13%	27%	22%	21%
		30 ≤ x ≤ 50	45%	45%	41%	48%	35%	39%	30%	24%	26%	58%	55%	61%	36%	54%	51%
		> 50 years	14%	16%	14%	2%	2%	2%	6%	5%	8%	0%	0%	0%	1%	0%	0%
Workers	men	< 30 years	6%	6%	7%	11%	15%	12%	11%	12%	8%	4%	7%	3%	12%	7%	11%
		30 ≤ x ≤ 50	28%	26%	27%	27%	21%	19%	30%	22%	29%	7%	14%	6%	20%	14%	22%
		> 50 years	16%	17%	15%	8%	6%	6%	11%	14%	14%	0%	0%	0%	1%	0%	0%
	women	< 30 years	2%	3%	5%	17%	12%	15%	11%	12%	10%	40%	27%	36%	29%	27%	17%
		30 ≤ x ≤ 50	31%	27%	28%	26%	35%	36%	29%	28%	25%	49%	51%	54%	37%	51%	49%
		> 50 years	17%	20%	18%	11%	11%	12%	8%	12%	14%	0%	2%	1%	1%	2%	1%

The following table shows the ratio of basic and remuneration 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 74%. At managerial and employee level, however, Italy and Brazil are respectively the countries where the most profound differences are recorded, with a ratio equal to 84% and 94% respectively. Finally, with

reference to workers, Brazil records the greatest difference in terms of basic salary between women and men, with a ratio of 64%. However, again in Brazil, a female worker earns an average 25% more than the male counterpart, compared to the United States where a female employee earns an average 11% 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. As regards the overall remuneration of executives and middle managers, the countries where women's salary is higher than men's are the United States and Brazil, while in Italy it is lower for both categories.

Table 14: Ratio of basic salary of women to men

Countries	Year	Directors & Executives	Managers	Employees	Workers
Italy	2017	0.86	0.96	0.96	0.96
	2018	0.82	0.93	0.99	1.02
	2019	0.82	0.84	0.97	0.95
Rest of Europe	2017	0.86	0.96	0.96	0.96
	2018	1.09	0.75	0.77	0.56
	2019	0.85	1.07	0.97	0.77
USA	2017	1.20	0.80	0.82	0.85
	2018	0.98	0.58	1.04	0.84
	2019	1.04	1.03	1.11	0.91
Brazil	2017	1.34	1.23	1.07	1.00
	2018	1.47	1.20	1.04	1.02
	2019	1.08	1.25	0.94	0.64
China	2017	0.88	0.94	0.94	0.89
	2018	0.96	1.06	0.96	0.85
	2019	0.74	1.00	0.95	0.85

Tabella 15: Ratio of remuneration of women to men

Country	Year	Directors & Executives	Managers
Italy	2017	0.82	0.98
	2018	0.79	0.95
	2019	0.79	0.84
Rest of Europe	2017	0.85	0.94
	2018	1.22	0.71
	2019	0.78	1.06
USA	2017	1.12	0.79
	2018	1.00	0.60
	2019	1.06	1.01
Brazil	2017	1.36	1.24
	2018	1.47	0.96
	2019	1.08	1.41
China	2017	0.83	0.95
	2018	0.96	1.06
	2019	0.76	1.00

It should be noted that no incidents of discrimination were recorded in the three-year period 2017-2019.

3 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, within the organization as well as along the supply chain. 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.

The Group defines the social and environmental principles and criteria to be applied when selecting and qualifying its suppliers in the **Policy for Sustainable Procurement** (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. In addition, the Group makes clear its commitment to pursue continuous improvement of workplace health and safety conditions in its **Health and Safety Policy**.

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.

Through these documents, Intercos thus expresses its responsibility to ensure a socially responsible behavior and the respect of its ethical principles not only within the company, but also along the supply chain. To this end, the company requires its suppliers to sign, together with the signing of the commercial contract, the Group's Codes of Ethics and Conduct.

The protection of human and labor rights within the company

In terms of human and labor rights, Intercos commits to carrying out its business activities in compliance with the legislation in force in the countries in which it operates and in line with the main international standards.

As regards the aspects related to the health and safety of workers, with the aim of improving performance at Group level on these aspects, the Global Safety Network continued to meet periodically during 2019, in order to monitor common indicators (Total Incident Rate - TIR) and develop shared procedures. 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 2019 a total of approximately 17,117 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 the initiatives carried out in 2019, the installation of an automatic distributor of Personal Protective Equipment (PPE) at the Dovera site should be noted.

In addition, the companies Intercos Europe S.p.A., Cosmint S.p.A., CRB S.A., Intercos America Inc. and Interfila Cosmetics (Shanghai) Co. Ltd. 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). It should also be noted that 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 regards to the respect for human rights and labor rights. To date, the company Interfila Cosmetics (Shanghai) Co., Ltd owns the OHSAS 18001 certification, which attests to an adequate management of health and safety in the workplace. In addition, Interfila Cosmetics (Shanghai) Co., together with Intercos Technology (SIP) Co. Ltd. and Intercos Cosmetics (Suzhou) Co., have obtained the SA8000 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). Furthermore, Intercos continuously supervises such aspects through periodical audits (SMETA audits in Italy and SA8000-requirements compliant audits in China). Intercos also carries out continuous monitoring of these aspects through periodic audits (SMETA audits in Italy, Switzerland, America and China and SA 8000 requirement audits in China).

Selection and monitoring of suppliers' performance according to social criteria

Intercos is committed to ensuring the respect for human rights 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, 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.

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.

The Responsible Mica Initiative

Mica, an essential mineral in the cosmetic industry, especially valuable for the production of 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. 100% of Indian mica suppliers are certificate RMI members.

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.

The following table reports the main performance indicators related to occupational health and safety, namely the number of injuries, the injury and lost day rate, the occupational disease rate, and the lost days due to absenteeism rate. During 2019, there were no significant issues concerning employees' health and safety within the Group. In particular, 24 accidents were recorded (of which none of them were fatal), a decrease compared to 2018 (28), with an frequency index of 3.2 (3.7 in 2018).

Table 16: GRI 403-2 (a): Occupational health and safety

Gender	Indicator	u.m.	Italy			Rest of Europe			USA			Brazil			China		
	Year		2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
MAN	Number of injuries	no.	14	7	7	0	0	2	3	4	2	0	0	1	2	1	1
	Work-related fatalities	no.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Injury rate	-	15.1	7.3	7.8	0.0	0.0	9.2	8.7	12.1	5.6	0.0	0.0	9.2	1.7	0.8	0.4
	Occupational disease rate	-	6.5	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Lost day rate	-	0.8	0.1	0.2	0.0	0.0	0.04	0.4	0.6	0.7	0.0	0.0	0.0	0.01	0.01	0.00
	Absentee rate	-	4.4	3.8	6.4	4.0	1.7	4.5	0.4	0.6	0.7	1.7	1.5	1.8	1.7	2.2	2.7
WOMEN	Number of injuries	no.	6	8	4	1	0	3	4	1	1	0	0	0	5	7	3
	Work-related fatalities	no.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Injury rate	-	2.7	6.0	3.6	3.5	0.0	7.5	8.7	2.3	2.3	0.0	0.0	0.0	2.0	2.7	1.1
	Occupational disease rate	-	0.0	0.0	0.0	0.0 ⁴	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Lost day rate	-	1.1	0.3	0.2	6.4	0.0	0.2	0.4	0.01	0.13	0.0	0.0	0.0	0.1	0.1	0.1
	Absentee rate	-	6.9	4.7	5.3	9.0	2.3	6.9	0.4	0.01	0.13	0.0	0.0	0.0	1.7	2.0	1.8

For what concerns the information related to the selection of suppliers based on social criteria (human rights, safety and regulatory compliance), the data on the percentage of new suppliers selected according to these criteria is shown below (Tabella 17). The proportion of suppliers selected according to social criteria amounts to 22% in 2019, in line with 2018 figures.

Tabella 17: GRI 414-1 - Percentage of new suppliers selected according to social criteria

	u. m.	2017	2018	2019
Total number of new suppliers ⁵	n.	599	496	273
Totale number of new suppliers selected according to social criteria	n.	120	111	60
New suppliers selected according to social criteria	%	20%	22%	22%

⁴ Data related to the number of occupational diseases of Tatra Spring Polska for 2017 are not available,

⁵ 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.

4 Our attention towards the environment

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 (§ Procurement and disposal process), to air pollutant and climate-change emissions (§ Fight against climate change) and the management of water supply and discharges (§ Management of water resources).

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, based on evaluation of new and current suppliers also based on environmental criteria, according to the principles of the international standard ISO 14001.

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 2019 the certification ISO 14001:2015, which guarantees an adequate management and continuous monitoring of environmental aspects and performance. Furthermore, the production sites of Olgiate Comasco (Cosmint S.p.A.) and Interfila Cosmetics (Shanghai) Co., Ltd. maintained the ISO 14001:2015 certification in 2019. The three production sites of Suzhou (Intercos Cosmetics (Suzhou) Co., Ltd., Intercos Technology (SIP) Co., Ltd.) obtained their certification in 2019.

In 2019, a fine of Euro 34,000 has been imposed at the conclusion of a penal procedure concerning the violation of the regulatory provisions on the management of hazardous waste in the absence of authorization. However, it should be noted that there are no cases of non-compliance with environmental legislation in the two-year period 2017-2018.

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.

Procurement and disposal processes

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 Material 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 and RSPO certification (Roundtable on Sustainable Palm Oil) 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.

La gestione delle sostanze chimiche pericolose

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, loading and unloading register, MUD, SISTRI) 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.

Intercos Technology (SIP) Co., Ltd and Intercos Cosmetics (Suzhou) Co., Ltd 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 (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, the companies use a special disposal procedure their disposal. Interfila Cosmetics (Shanghai) Co., Ltd 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 Industria e Comércio de Productos Cosméticos LTDA 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.

The Roundtable on Sustainable Palm Oil

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.

During 2019, the Intercos Group reached the 69% share of RSPO certified suppliers. Furthermore, starting from 2020, 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).

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.

During 2019, Intercos Group's Makeup and Skincare segments used more than 4,000 tons of raw materials in their production processes. Almost 50% of the raw materials used for the crafting of their products are synthetic and includes silicones, solvents, polymers, synthetic waxes and viscosizers. Renewable raw materials⁶, that represent approximately 2.5% of the total supplied, mainly consist of: vegetable oils and waxes, organic fillers, vegetable derived oils, essential oils and organic oils.

With reference to the raw materials purchased from Cosmint and Tatra Spring (Hair & Body segment), companies that operate mainly by third parties, it should be noted that, out of a total of 8,136 tons, 71% is made up of natural raw materials, 10% of inorganic raw materials and 19% from synthetic raw materials. Renewable raw materials, mostly made up of alcohol, are estimated to be about 67% of the total purchased.

Table 18: GRI 301-1 – Materials used⁷

Raw materials	Quantity (tons)		
	2017	2018	2019 ⁸
Total natural raw materials (include esters, emulsifiers, active ingredients, fatty alcohols and acids, etc.)	910	1,109	897
<i>Of which renewable</i>			
<i>Vegetal oil</i>	64	74	65
<i>Vegetal waxes</i>	33	39	32
<i>Vegetal derived oil</i>	5	5	5
<i>Organic oil (Bio)</i>	2	3	3
Total inorganic raw materials (include inorganic fillers, natural mica based pearls, inorganic colorants, sunscreen physical agent, etc.)	1,802	1,579	1,300
Total synthetic materials (include silicones, solvents, polymers, synthetic waxes, rheological mods, etc.)	1,891	2,012	2,044
Total	4,603	4,701	4,240

In its production process, the Intercos Group also uses primary packaging, mainly composed of aluminum, paper, wood, plastic, glass and steel. In particular, in 2019 the most used materials were paper (42%), plastic (37%) and glass (12%).

Table 19: GRI 301-1 – Types of packaging purchased

Type of packaging material	Quantity (tons)		
	2017 ⁹	2018 ⁹	2019 ¹⁰
Steel	-	-	90
Aluminum	1,290	1,227	816
Paper	31,138	29,160	16,460
Wood	2,988	2,709	2,260
Plastic	15,390	13,005	14,476
Glass	436	351	4,660
Total	51,243	46,452	38,762

⁶ 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.

⁷ The data in the table 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.

⁸ The data referred to 2019 exclude Intercompany transfer of raw materials.

⁹ The data referred to 2017 and 2018 have been estimated and exclude packaging purchased from Cosmint and Tatra Spring Polska, whose data are available from 2019.

¹⁰ 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 2019, the process of selecting new suppliers according to environmental criteria involved the suppliers of raw materials and packaging, especially in China. Globally, compared to the 273 new suppliers that were contracted during the year, 22% (60) were assessed also according to environmental criteria, in line with 2018 figures.

Table 20: GRI 308-1 (a): Percentage of new suppliers selected according to environmental criteria

	u. m.	2017	2018	2019
Total number of new suppliers ¹¹	n.	599	496	273
New suppliers selected according to environmental criteria	n.	120	111	60
Percentage of new suppliers selected according to environmental criteria	%	20%	22%	22%

As of December 31st, 2019, the Intercos Group generated a total of 12,271 tonnes of waste, of which 10,420 tonnes (85%) were non-hazardous and 1,852 tonnes (15%) were hazardous. The region that generated the highest amount of waste is Italy (74%), followed by the rest of Europe (13%), China (8%), the United States (4%) and Brazil (1%). The increase in hazardous waste is mainly due to an update of the current environmental legislation on waste which has led to a change in the classification of the "bulk" from non-hazardous to hazardous waste. The increase in non-hazardous waste is instead due to an increase in production volumes at the Agrate, Dovera and Olgiate Comasco (Cosmint) sites and to the disposal of obsolete materials and warehouse products in Agrate and Dovera.

Table 21: GRI 306-2 (a, b): quantity hazardous and non-hazardous waste generated by the company by type and disposal method

Destination	Italy ¹²			Rest of Europe			USA			Brazil			China			TOTAL		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Hazardous	651	711	1,497	0	431	304	8	6	2	1	0	1	70	28	48	730	1,176	1,852
Of which sent to reuse	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which sent for recovery (including energy recovery)	258	276	46	0	0	0	8	6	2	0	0	0	0	0	0	266	282	49
Of which sent to incineration	0	0	467	0	0	0	0	0	0	1	0	1	0	0	48	1	0	516
Of which sent to recycling	240	304	379	0	0	0	0	0	0	0	0	0	0	0	0	240	304	379
Other	153	131	605	0	431	304	0	0	0	0	0	0	70	28	0	223	590	908
Non-hazardous	5,618	5,584	7,642	1,882	846	1,233	529	524	474	88	62	115	915	893	955	9,032	7,909	10,420
Of which sent to reuse	320	322	0	1,449	8	7	0	0	0	4	3	0	0	0	24	1,773	333	32
Of which sent for recovery (including energy recovery)	698	945	3,461	0	0	0	201	123	82	1	0	0	0	0	0	900	1,068	3,543
Of which sent to incineration	0	0	0	126	138	136	0	0	0	0	0	0	3	44	74	129	182	210
Of which sent to recycling	3,145	2,028	2,214	275	617	1,042	327	402	392	33	11	20	719	616	656	4,499	3,674	4,324
Of which sent to landfill	0	0	0	0	0	0	0	0	0	11	19	48	193	215	201	204	234	248
Other	1,455	2,289	1,968	32	84	47	0	0	0	39	30	48	0	17	0	1,527	2,420	2,063
Total	6,268	6,296	9,139	1,882	1,278	1,537	536	530	476	89	62	116	985	920	1,003	9,761	9,086	12,271

¹¹ The data refers to suppliers of raw materials and packaging except for Tatra Spring Polska for which, in 2017 and 2018, all the categories of suppliers are considered. The data relating to the new suppliers of raw materials and packaging for this company are in fact only available starting from 2019.

¹² The data referred to 2017 and 2018 have been updated based on best available data.

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. In 2016 and 2017, the Agrate plant purchased 100% of energy certified as coming from renewable sources. Furthermore, 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. Other initiatives have been put in place, such as the one about the renovation of Agrate and Dovera sites' lighting systems, with the progressive replacement of incandescent bulbs with LED bulbs, with a consequent reduction in annual electricity consumption.

In a similar way, between 2018 and 2019 Cosmint S.p.A. in Olgate Comasco installed a cogeneration system, already functioning in 2019, and a photovoltaic system, installed on the roof of a new warehouse and that will be fully operating in 2020.

Since many 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. reduced internal energy consumption by distributing production over four working days and improved its environmental performance by procuring, in West Nyack plant, almost 50% solar energy using installed 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, 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, identifies and analyses the emission points, classifies the pollutants emitted and keeps an updated census on the type and the characteristics of the emission points identified within the production process. The monitoring activity is carried out through specific studies, carried out by qualified third-party laboratories, aimed at ensuring compliance with the limits set by the current legislation and at ensuring the efficiency of the abatement systems. The HSE manager examines the results of the analyses and, if necessary, implements appropriate improvement interventions. 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 tables below report data on Intercos' energy consumption, direct and indirect GHG emissions and air pollutant emissions (e.g. VOCs).

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 (47%), followed by China (27%), United States (14%), Brazil (7%) and the Rest of Europe (4%). As of December 31st, 2019, the Intercos Group consumed 57,444 liters of gasoline, 138,957 liters of diesel and 4,359,685 m³ of natural gas and purchased 48,742 MWh of electricity. In Italy, figures show a significant increase in natural gas consumption and a simultaneous reduction in electricity consumption: this is mainly due to the activation of the cogeneration system at Cosmint site in Olgiate Comasco at the beginning of 2019.

Table 22: GRI 302-1 (a, b, c, d, e): Energetic consumption¹³

Countries	Anno	Gasoline ¹⁴	Diesel ¹⁴	Natural gas	Electricity
u.m.		Liters	Liters	m ³	MWh
Italy	2017	n.d.	n.d.	1,979,566	26,916
	2018	n.d.	n.d.	2,174,323	29,913
	2019	6,087	122,460	3,680,638	23,149
Rest of Europe	2017	n.d.	n.d.	138,397	1,604
	2018	n.d.	n.d.	189,237	1,871 ¹⁵
	2019	5,727	5,902	126,185	2,089
USA	2017	n.d.	n.d.	n.d. ¹⁶	9,397
	2018	n.d.	n.d.	239,556	7,527
	2019	8,640	10,495	244,363	7,060
Brazil	2017	n.d.	n.d.	0	2,180
	2018	n.d.	n.d.	0	2,677
	2019	19,250	0	0	3,327
China	2017	n.d.	n.d.	272,253	11,010
	2018	n.d.	n.d.	346,972	11,735
	2019	17,740	0,100	308,499	13,116
TOTAL	2017	n.d.	n.d.	2,390,216	51,108
	2018	n.d.	n.d.	2,950,088	53,723
	2019	57,444	138,957	4,359,685	48,742

¹³ The data referred to 2017 and 2018 are not comparable to those referred to 2019 since data about the Company's car fleet are not available.

¹⁴ The data referred to 2019 include the Company's car fleet.

¹⁵ The data referred to 2018 have been updated based on best available data.

¹⁶ Scope 1 CO₂ emissions related to the consumption of natural gas in the USA were not available in 2017.

Below are the figures for direct GHG emissions (scope 1), which derive mainly from the consumption of fuels, in particular natural gas (69%), and from the use of refrigerant gases (27%) in refrigeration and air conditioning systems. In particular, Italy (67%) is the country that provides the largest contribution in terms of GHG emissions (scope 1), followed by China (17%) and the United States (12%). The significant increase in CO₂ emissions at Group level is mainly due to the increase in natural gas consumption in Italy, to the cogeneration system activation at the Cosmint site in Olgiate Comasco in early 2019, and the increase in refrigerant gas leaks in America and China, due to the malfunction of some machinery used in the production process.

Table 23: GRI 305-1 (a): GHG direct emissions (Scope 1)

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	2017	0	1	3,758	427	4,185
	2018	0	1	4,288	503	4,792
	2019	14	324	7258	720	8,316
Rest of Europe	2017	3	5	272	0	280
	2018	3	5	373	0	381
	2019	13	16	249	0	278
USA	2017	0	0	n.d. ¹⁷	42	42
	2018	0	0	472	76	548
	2019	20	28	482	950	1,479
Brazil	2017	36	0	0	39	76
	2018	53	0	0	40	93
	2019	44	0	0	163	207
China	2017	0	1	535	732	1,268
	2018	0	1	684	940	1,625
	2019	41	0	608	1,485	2,135
TOTAL	2017	39	7	4,564	1,240	5,851
	2018	56	7	5,817	1,559	7,439
	2019	132	367	8,597	3,317	12,414

Below is the data on indirect GHG emissions (scope 2), which derive mainly from the consumption of electricity. As of December 31st, 2019, for what concerns indirect GHG emissions (scope 2), the Intercos Group emitted, considering the location-based approach, 20,904 tons of CO_{2eq} of which 40% both in Italy and in China, followed by the United States (12%), the rest of Europe (6%) and Brazil (2%). Considering the market-based approach, there is a clear reduction in CO_{2eq} emissions in Italy compared to the location-based approach as Intercos, in Agrate and Dovera plants, has started to purchase green certified energy coming from renewable sources.

¹⁷ Scope 1 CO₂ emissions related to the consumption of natural gas in the USA were not available in 2017

Table 24: GRI 305-2 (a, e, g): Indirect energetic GHG emissions (Scope 2)

Tipology	Year	Location-based	Market-based
		ton CO _{2e}	ton CO _{2e}
Italy	2017	10,096	4,466
	2018	10,769	5,123
	2019	8,334	2,253
Rest of Europe	2017	856	1,051
	2018	957 ¹⁸	1,051 ¹⁸
	2019	1,213	1,383
USA	2017	4,276	4,276
	2018	3,169	1,470
	2019	2,526	802
Brazil	2017	406	406
	2018	415	415
	2019	516	516
China	2017	7,135	7,135
	2018	7,440	7,440
	2019	8,315	8,315
TOTAL	2017	22,768	17,333
	2018	22,750	15,499
	2019	20,904	13,291

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 2019 about 3 tons of VOCs.

Table 25: GRI 305-7 (a, e, g): Air pollutant emissions¹⁹

Tipology	Year	VOCs	HAP	PM
		kg	kg	kg
Italy	2017	9,339	124	290
	2018	3,259	496	550
	2019	2,911	204	395
Rest of Europe	2017	85	n.d.	0,02
	2018	85	n.d.	0,05
	2019	42	n.d.	0,18
USA	2017	n.d.	n.d.	n.d.
	2018	n.d.	n.d.	n.d.
	2019	n.d.	n.d.	n.d.
Brazil	2017	n.d.	n.d.	n.d.
	2018	n.d.	n.d.	n.d.
	2019	n.d.	n.d.	n.d.
China	2017	n.d.	n.d.	1,314
	2018	8	n.d.	284
	2019	n.d.	n.d.	221
TOTAL	2017	9,424	124	1,604
	2018	3,352	496	834
	2019	2,954	204	616

¹⁸ The data referred to 2018 have been updated on the basis of better data availability.

¹⁹ The significant variations of air pollutant emissions are, in part, due to punctual measurements.

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 fire fighting.

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 regulated by the specific contracts stipulated with external maintenance companies.

Information regarding the management of water resources by the Intercos Group in 2019 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, 2019, the water consumed by the Intercos Group amounted to 439,139 m³ supplied almost entirely from aqueduct. It should also be noted that as of 2019, the water consumed at the Dovera site is partially taken (5,851 m³) from the aquifer and is used for irrigation and fire prevention systems. The highest water consumption was recorded in Italy (49%), followed by China (21%) and the United States (21%) in which a concrete reduction has been acknowledged (-30% compared to 2018), thanks to the optimization of production shifts in the powder department. On the other hand, the augmentation of hydric consumption in the rest of Europe is mainly due to the increase in production volumes during 2019 in the Tatra Spring site (Poland).

Table 26: GRI 303-1 (a): Water withdrawals from municipal water (m³)

Year	2017	2018	2019
Italy	231,814	234,149	215,496
Rest of Europe	15,678	20,449	36,028
USA	111,421	127,986	90,322
Brazil	2,328	2,825	3,126
China	83,289	91,309	94,168
TOTAL	444,530	476,718	439,139

Below is reported the information on the volumes of water discharged by Intercos Group. In 2019, 290,754 m³ (77%) of discharged water was sent to treatment plants. In terms of volumes discharged, the largest contribution was due to Italy (44%) and the United States (31%).

Table 27: Water discharge by quality and destination (m³)

Category	Year	Discharge in surface water	Discharge in sewers	Discharge in treatment facilities	Other	Total
Italy	2017	0	53,638	68,140	0	121,778
	2018	0	52,064	68,770	63	120,897
	2019	0	58,320	69,736	63	128,119
Rest of Europe	2017	825	49	14,024	0	14,898
	2018	1,100	52	18,250	0	19,402
	2019	1,172	0	31,230	0	32,402
USA	2017	0	0	111,421	0	111,421
	2018	0	0	127,986	0	127,986
	2019	0	0	90,322	0	90,322
Brazil	2017	0	0	1,464	0	1,464
	2018	0	0	2,261	0	2,261
	2019	0	0	2,452	0	2,452
China	2017	0	0	7,227	4,727	11,954
	2018	0	0	34,678	5,050	39,728
	2019	0	0	28,920	8,540	37,460
TOTAL	2017	825	53,687	202,276	4,727	261,515
	2018	1,100	52,116	251,945	5,113	310,274
	2019	1,172	58,320	222,660	8,603	290,754

Below are the results of the quality of water discharges according to the following parameters.

Table 28: Quality of water discharges²⁰

Category	Year	COD	BOD	TSS
u.m.		mg/l	mgO ₂ /l	mg/l
Italy	2017	152	61	11
	2018	71	24	6
	2019	134	63	4
Rest of Europe	2017	n.d.	n.d.	n.d.
	2018	n.d.	n.d.	n.d.
	2019	n.d.	n.d.	n.d.
USA	2017	n.d.	214	88
	2018	n.d.	226	61
	2019	n.d.	93	15
Brazil	2017	n.d.	n.d.	n.d.
	2018	n.d.	26	n.d.
	2019	n.d.	25	0.2
China	2017	132	n.d.	6
	2018	184	n.d.	59
	2019	144	n.d.	33

²⁰ The analysis of CRB S.A. data on water quality after treatment is not available since the treatment phase is managed at municipal level.

5 Protecting consumers' safety

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 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:

- **Stability test:** it is performed on all new cosmetics and cosmetic products subject to change; it assesses how the quality of the product varies with time under the influence of a number of environmental factors

(for example, temperature, humidity and light), in order to establish the shelf life of the product and collect the information required to get the Authorization for Product Release in the different export regions;

- Challenge test: where applicable, it is carried out according to the ISO approach following a preliminary positive evaluation of the product's stability (after about one month); it evaluates the antimicrobial efficacy of the preservatives;
- Patch test: it is performed to test any product's irritation effects on the skin;
- Microbiological in use test: it is performed on certain product categories, where applicable and possibly upon customer request, to determine the microbiological stability of the product if its use includes an application that can contribute to the potential growth of bacteria;
- Ophthalmologic use test: it is performed on products intended for the eye area, in particular mascara, eyeliner and kajal;
- Dermatological use test: it is performed to test facial and lips products, where applicable and/or upon customer request;
- Test for determining the sun protection factor, carried out on products that contain sunrays filters and when the client wants to declare a sun protection factor for the product (both UVB and UVA).

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 S.p.A. and Intercos Europe S.p.A in Italy; C.R.B. S.A in Switzerland, Intercos America Inc. in the USA, Intercos Technology Co. Ltd, Intercos Cosmetics Co. Ltd, Intercos Technology (SIP) Co. Ltd and Interfila Cosmetics (Shanghai) Co. Ltd. in China.

Finally, the following companies have received the ISO 22716 certification on compliance with Good Manufacturing Practices for the cosmetics industry: Intercos Europe S.p.A and Cosmint S.p.A in Italy, C.R.B. S.A in Switzerland, Intercos America Inc. in the USA and Interfila Cosmetics (Shanghai) Co. Ltd. in China.

During the three-years period 2017-2019, all the tests foreseen by the Intercos protocol have been performed on all the formulas (formula scheme).

It should also be noted that in the three-years period 2017-2019, no 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.

Methodological note

Intercos Group's Consolidated Disclosure of Non-financial Information has been prepared in accordance with the Legislative Decree 254/2016 and subsequent amendments regarding the disclosure of non-financial and diversity information by certain large undertakings and public-interest entities. The purpose of this document is 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, anti-corruption 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 NFI on February 10th, 2020. 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, in accordance with the requests of the Decree, 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.

This document is prepared annually and all information and data here disclosed refer to FY 2019. Performance indicators and information have been gathered on a yearly basis (January-December) for 2017, 2018 and 2019. This document represents the third edition of the Intercos Group's NFI.

Within the document, where necessary, some specific notes have been added to explain any change in 2017 and 2018 performance data.

The reporting standard adopted by Intercos for the preparation of its NFI is the GRI Sustainability Reporting Standards (hereinafter also GRI Standards), published in 2016 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 according to a "GRI-core" approach.

For a better clarification, the following table reports material topics related to the Legislative Decree 254/2016 areas, the disclosure boundary and its limitations.

Legislative Decree 254/2016 area	Relevant aspect	GRI indicator	Aspect boundary	
			Internal	External
Environmental matters	Sustainable consumption of natural resources	GRI 301 - Materials	Group	
		GRI 303 - Water	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	GRI 306 - Effluents and waste	Group	
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 - Occupational health and safety	Group	Contractors and Suppliers The reporting is not extended to the external boundary
Respect for human rights	Respect for human rights	GRI 412 – Human rights assessments	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	Business ethics and integrity	GRI 417 - Marketing and labeling	Group	
		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 2019 NFI contents involved all the business functions that are responsible for the aspects reported in the NFI.

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 and the total number of worked hours, multiplied by 1,000,000; the commuting injuries are excluded from the calculation of the injury rate;
- the lost day rate is the rate between the total number of lost days and the total number of hours scheduled to be worked, multiplied by 1,000;
- lost days represents the calendar days lost from the day after the injury;
- the absenteeism rate is the ratio between the days of absence during the reporting period and the total number of workable hours in the same period;

- 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 NFI 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, 2018 to December 31st, 2018) 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 2017, 2018 and 2019.
 - **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 - 2016 data. Regarding the market-based approach, emission factors refer to the Residual Mix published by the "Association of Issuing Bodies" (AIB) in 2018 for the European countries. In USA, emission factors refer to the "Center for Resource Solutions" ("2019 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 2017, 2018 and 2019.

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 – 8</i>	
	102-3	Location of headquarters	<i>Pagg. 1, 9 – 11</i>	
	102-4	Location of operations	<i>Pagg. 9 – 11</i>	
	102-5	Ownership and legal form	<i>Pag. 9</i>	
	102-6	Markets served	<i>Pagg. 8-9, 11</i>	
	102-7	Scale of the organization	<i>Pagg. 8 – 11</i>	
	102-8	Information on employees and other workers	<i>Pag. 12</i>	
	102-9	Supply chain	<i>Pag. 11, 38, 41, 43</i>	
	102-10	Significant changes to the organization and its supply chain	<i>Pagg. 8-9, 55</i>	
	102-11	Precautionary Principle or approach	<i>Pagg. 20 – 22, 57</i>	
	102-12	External initiatives	<i>Pagg. 16, 19, 33, 38, 43</i>	
	102-13	Membership of associations	<i>Pagg. 19, 37, 38, 43</i>	
Strategy	102-14	Statement from senior decision-maker	<i>Pag. 4</i>	
	102-15	Key impacts, risks, and opportunities	<i>Pagg. 20 – 22</i>	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	<i>Pag. 25-26</i>	
Governance	102-18	Governance structure	<i>Pagg. 13 – 14</i>	
Stakeholder engagement	102-40	List of stakeholder groups	<i>Pag. 15 – 16</i>	
	102-41	Collective bargaining agreements	<i>Pag. 12</i>	
	102-42	Identifying and selecting stakeholders	<i>Pagg. 15 – 16</i>	
	102-43	Approach to stakeholder engagement	<i>Pagg. 15 – 16</i>	
	102-44	Key topics and concerns raised	<i>Pagg. 15 – 18</i>	
Reporting practice	102-45	Entities included in the consolidated financial statements	<i>Pag. 9-10, 55</i>	
	102-46	Defining report content and topic Boundaries	<i>Pagg. 55 – 56</i>	
	102-47	List of material topics	<i>Pagg. 18, 56</i>	
	102-48	Restatements of information	<i>Pagg. 55 - 56</i>	
	102-49	Changes in reporting	<i>Pagg. 17-18, 55 - 56</i>	
	102-50	Reporting period	<i>Pag. 55</i>	
	102-51	Date of most recent report	<i>Pag. 55</i>	
	102-52	Reporting cycle	<i>Pag. 55</i>	
	102-53	Contact point for questions regarding the report	<i>Pag. 61</i>	
	102-54	Claims of reporting in accordance with the GRI Standards	<i>Pag. 55</i>	
	102-55	GRI content index	<i>Pagg. 58 – 61</i>	
	102-56	External assurance	<i>Pagg. 62-64</i>	

GRI Standard	Disclosure	Description	Page	Omission
Material topics				
GRI 200 Economic Standards Series				
Anti-corruption				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 23, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 23 - 24	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 23-24	
GRI 205 – Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	Pag. 24	
GRI 300 Environmental Standards Series				
Materials				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 41, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 38, 40, 41-43	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 38, 40, 41-43	
GRI 301 – Materials	301-1	Materials used by weight or volume	Pagg. 44	
Energy				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 46, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 40, 46-47	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 40, 46-47	
GRI 302 – Energy	302-1	Energy consumption within the organization	Pag. 47	
Water				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 50, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 40, 50	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 40, 50	
GRI 303 – Water	303-1	Water withdrawal by source	Pag. 50	
Emissions				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 46, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 40, 46-47	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 40, 46-47	
GRI 305 – Emissions	305-1	Direct (Scope 1) GHG emissions	Pagg. 48, 56-57	
	305-2	Energy indirect (Scope 2) GHG emissions	Pagg. 49, 56-57	
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Pag. 49	
Effluents and waste				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 41, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 40, 41-42	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 40, 41-42	
GRI 306 – Effluents and waste	306-2	Waste by type and disposal method	Pag. 45	
Environmental compliance				
	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 40, 55-56	

GRI Standard	Disclosure	Description	Page	Omission
GRI 103 – Management Approach	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 40</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 40</i>	
GRI 307 – Environmental compliance	307-1	Non-compliance with environmental laws and regulations	<i>Pag. 40</i>	
Supplier environmental assessment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 15, 17-18, 36, 55-56</i>	
	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 37-38, 43</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 37-38, 43</i>	
GRI 308 – Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	<i>Pagg. 44-45</i>	
GRI 400 Social Standards Series				
Employment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 15, 17-18, 26, 55-56</i>	
	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 26-28</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 26-28</i>	
GRI 401 – Employment	401-1	New employee hires and employee turnover	<i>Pag. 29</i>	
Occupational health and safety				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 15, 17-18, 36, 55-56</i>	
	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 36-38</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 36-38</i>	
GRI 403 – Occupational health and safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<i>Pagg. 39, 56</i>	
Training and education				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 15, 17-18, 26, 55-56</i>	
	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 26-28</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 26-28</i>	
GRI 404 – Training and education	404-1	Average hours of training per year per employee	<i>Pagg. 30-31</i>	
	404-3	Percentage of employees receiving regular performance and career development reviews	<i>Pag. 32</i>	
Human Rights Assessment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 15, 17-18, 36, 55-56</i>	
	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 36-38</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 36-38</i>	
GRI 412 – Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	<i>Pag. 37-38</i>	
Supplier social assessment				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	<i>Pagg. 15, 17-18, 36, 55-56</i>	
	103-2	The management approach and its components	<i>Pagg. 15, 20-22, 36-38</i>	
	103-3	Evaluation of the management approach	<i>Pagg. 15, 20-22, 36-38</i>	
GRI 414 – Supplier social assessment	414-1	New suppliers that were screened using social criteria	<i>Pag. 39</i>	

GRI Standard	Disclosure	Description	Page	Omission
Customer health and safety				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 52, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 52-53	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 52-53	
GRI 416 – Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	Pag. 54	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Pag. 54	
Marketing and labeling				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 52, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 52-53	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 52-53	
GRI 417 – Marketing and labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	Pag. 54	
Socio-economic compliance				
GRI 103 – Management Approach	103-1	Explanation of the material topic and its Boundary	Pagg. 15, 17-18, 52, 55-56	
	103-2	The management approach and its components	Pagg. 15, 20-22, 52-53	
	103-3	Evaluation of the management approach	Pagg. 15, 20-22, 52-53	
GRI 419 – Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Pag. 54	

Contacts

For any further information about this document, please refer to:

Intercos S.p.A.

Marconi Street, 84

20864 Agrate Brianza (MB) - Italy

e-mail: sustainability@intercos.it

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of 18th January 2018

(Translation from the original Italian text)

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

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non financial information of Intercos S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2019 in accordance with article 4 of the Decree approved by the Board of Directors on 10th February 2020 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

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 DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "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 work in order to obtain a limited assurance that the DNF 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 DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Intercos Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of Intercos S.p.A. and with the personnel of CRB S.A. and Cosmint 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 non-financial data and information to the management responsible for the preparation of the DNF.

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

- at group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, 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 Puidoux (Switzerland) of CRB S.A. company and Olgiate Comasco (Italy) of Cosmint S.p.A., that we have selected based on their activities, 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.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Intercos Group for the year ended on 31st December 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Milano, 11st February 2020

EY S.p.A.

Signed by: Paolo Zocchi, Auditor

This report has been translated into the English language solely for the convenience of international readers.