SUSTAINABILITY REPORT 2021



ALFAPARF MILANO

SUSTAINABILITY REPORT

2021

ALFAPARF MILANO

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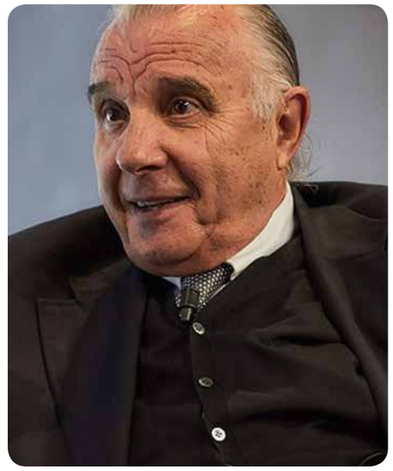
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LETTER TO THE STAKEHOLDERS



Roberto Franchina
President
ALFA PARF GROUP S.P.A.

Alfaparf Milano is now at the fourth edition of the Sustainability Report. The 2021 edition is particularly important for us, because for the first time the scope of our Sustainability Report includes all the subsidiaries of the Group. We are very proud of this goal, because it shows the Group's determination to continue on the path of sustainability with conviction and resolve, involving all our #alfaparfpeople.

Although we felt the aftermath of the pandemic, especially in the first quarter, 2021 was a year of great recovery, both for Alfaparf Milano and for the global economy. The Group reached important goals at the economic level, that were beyond expectations, thanks to the flexibility, the capacity for reorganization, for reacting to the crisis and guaranteeing the continuity of its business.

In 2021 the Group also took important steps concerning its sustainability path. To further reinforce its commitment to the ESG goals, Alfaparf Milano has introduced major changes in the sectors of Governance and corporate organization. In Spring 2021, the Global Sustainability Department was established, with the task of defining and guiding the Group's strategy on sustainability, working in close contact with the Board of Directors, the Management and the other Corporate Departments. The Sustainability Committee was created in the same year, which deals with promoting and monitoring the progressive integration of environmental, social and governance factors of the business activities. At the end of 2021, the process of updating the Code of Ethics – adopted in 2016 – was also started and completed in early 2022. Our new Code of Ethics describes in a structured way the policies adopted to guarantee the respect of the individual, the protection of the environment and the development of local communities and formally declares the Group's commitment to reach the Sustainable Development Goals of the United Nations.

The most significant step taken in 2021 was the conclusion of the process of defining the Group's Sustainability Plan, which was published in Spring 2022. The Plan contains the four fundamental pillars inside of which the objectives to be reached in the next three years in the fields of Sustainable Governance, Economic Sustainability, Environmental Sustainability and Social Sustainability, have been identified. The participatory process (Management, Employees and the Group's Customers were all involved) with which the Plan was constructed has allowed obtaining a shared document, to which all the #alfaparfpeople were asked to make their contribution and where all the peculiarities characterizing the Group, which has subsidiaries in 25 countries on 4 different continents, are taken into due consideration.

The efforts made in the direction of Sustainability and the first results reached have led us to obtain important distinctions: in the Spring of 2021 we were distinguished as Leader of Sustainability in the ranking drawn up by Statista for Il Sole 24 Ore (in 2022 this distinction was reconfirmed). In the Fall of the same year, the "Evolution of the Green" project received an award during the Procurements Awards in the category of Ethical and Sustainable Purchases. Thanks to this project, the packaging of our most iconic product, the Evolution of the Color color tube was wholly redesigned from a sustainable point of view, eliminating the unnecessary packaging and using exclusively recycled and recyclable materials.

For us, these distinctions are a reason of pride but above all they are a stimulus to continue along our path, focusing on always doing better, with the aim of actively contributing to the creation of new responsible business models, capable of generating long-term shared value, respecting and protecting the environment, people, ecosystems and communities.

HIGHLIGHTS

REVENUE
€269 MLN €

EBITDA
21%

2.179
EMPLOYEES

WOMEN
52%

LAUNCH OF OLOS
SUSTAINABLE SKINCARE LINE

3 PLANTS OUT OF 5
USE ELECTRICITY FROM RENEWABLE SOURCES, 1 PLANT USES NATURAL GAS WITH COMPENSATED EMISSIONS OF CO_2

ALFAPARF MILANO SUSTAINABILITY REPORT 2021

40%
OF THE INGREDIENTS ARE OF NATURAL ORIGIN

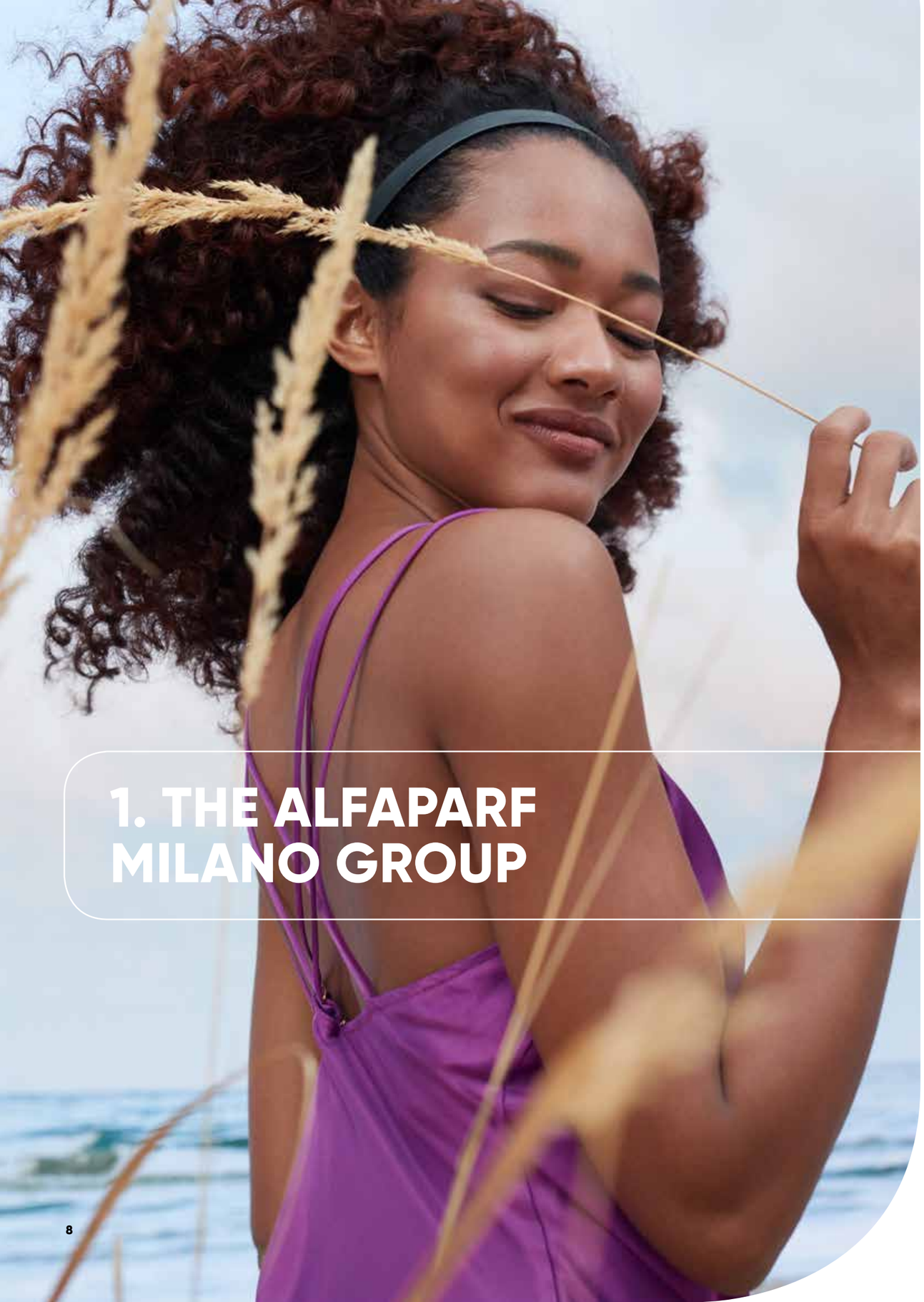
100%
OF THE COLOR TUBES OF THE ALFAPARF MILANO BRAND ARE MADE OF RECYCLED ALUMINUM (ITALIAN PLANT)

2021
LEADER OF SUSTAINABILITY

AND

1ST POSITION
IN THE 2021 PROCUREMENT AWARDS (CATEGORY OF ETHICAL AND SUSTAINABLE PURCHASES)

60%
OF THE PURCHASING SPEND IS FOR LOCAL SUPPLIERS



1. THE ALFAPARF MILANO GROUP

The Italian House of Beauty

Alfaparf Milano is a multinational group with deep Italian roots. The Group operates in the field of professional cosmetics, developing, producing and marketing hair and body care products and beauty equipment. The Group has 4 production plants (Italy, Mexico, Brazil, Argentina) and 25 affiliates on 4 continents.



ABOUT

VISION

"Getting to know people to understand the market"

We imagine a world where Alfaparf Milano's products and services give everyone the opportunity to experience everyday beauty, achieving well-being and happiness.

MISSION

"To spread beauty and make a difference, starting with the little things"

To bring beauty into the lives of our Customers, we always take four elements into consideration in our daily work.

- Product performance: we focus on creating innovative products, services, and technologies and on constantly improving their quality.
- Agility: we react to market developments, providing solutions quickly and effectively.
- Territory: our uniquely Italian-made products are geared to worldwide needs and demands.
- Sustainability: we take concrete steps to reduce our environmental impact and protect human rights.

VALUES

"To bring beauty into the lives of our customers"

Business management and the actions of Alfaparfpeople in achieving company objectives are guided by a solid system of values.

- Excellence: following the finest tradition of Italian-made products, we aspire to excellent quality and perfection in every detail, combining practicality with imagination.
- Agility and boldness: we're not afraid to take risks to find our path, and we do it by eliminating unnecessary complications in favor of speedy implementation.
- Openness: we move forward in the world with our eyes, ears and hearts wide open, with a special focus on understanding the different sensibilities of the people we meet.
- Integrity and responsibility: as indicated in our Code of Ethics, we embrace the values of integrity and responsibility to Alfaparfpeople, stakeholders, the local area, and the environment.
- A passion for beauty: our industry is unique and multi-faceted: it unleashes the imagination, creates positive experiences, and helps people feel better in their everyday lives.

#ALFAPARFPEOPLE

Our roots as a family business have taught us to keep people at the center of our world and to cultivate authentic relationships with the persons around us, our #alfaparfpeople: Employees, Customers, Hairdressers, Cosmetologists, Suppliers and Partners.

HISTORY

1980



Roberto Franchina founds the company Alfaparf, conceiving of and selling professional products for hairdressers. The ALFAPARF brand is born.

1989-1990

Once production in Italy is consolidated, the Semi di Lino line is launched, to be followed the next year by the line of permanent coloring, Evolution of the Color.



Late 1990s – early 2000s



Towards the end of the 1990s and in the first years of the new millennium, Alfaparf is confirmed as one of the references on the European market and expands its borders, inaugurating production units in Brazil, Mexico, Argentina and Venezuela and opening various commercial subsidiaries in Latin. America, the United States, China, Poland and Australia

2002

Alfaparf Group, an international Group with 100% Italian owned capital, leader in its market of reference, with a volume of sales of about euro 60 million, of which more than 90% is generated abroad, comes into being.



2008



Thanks to the acquisition of the GTS Group, Alfaparf Group enters the market of production and distribution of professional cosmetics and appliances for beauty centers becoming, by dimensions, the first company of global professional cosmetics with wholly owned Italian capital.

2009

The Private Label project starts which allows the Group to exploit its expertise to gain further market shares, especially in products for coloring, serving large third-party brands





From 2010

Alfaparf Group continues its strategy of globalization, extending its export activities to eastern and northern Europe (Russia, the Baltic countries, Scandinavia and the Balkans), Africa (Tunisia, Morocco, Egypt, Senegal and South Africa) and Asian countries (India, Malaysia, Indonesia and the Middle East), making the Group increasingly international.

2015



The road of globalization does not only concern the geographical borders but also of the market and, in 2015, the Group enters the retail market in Brazil thanks to ALTA MODA È... with a line of products for haircare distributed in stores, retail chains, health and beauty stores and pharmacies.

2018



Alfaparf Group publishes its first Sustainability Report proving its commitment to the environment, society, communities and the areas where the Group operates.

2021

Alfaparf Group, the brand which comprises all the Group's brands, becomes Alfaparf Milano thanks to rebranding activities and a new corporate identity which, on the one hand, confirm the determination of the company to focus on the excellence of the product and the services offered and, on the other, focus on integrating sustainability in all its business activities.



2022



Thanks to the restaging of the OLOS skincare brand, Alfaparf Milano launches its first line inspired by the Group's new philosophy of sustainability. OLOS consciously and responsibly chooses every aspect of the formulations, the packaging, the production and the distribution.



BUSINESS MODEL

The Group's business model, which aims to create value for all its stakeholders through a strong and widespread presence in the markets of reference, is based on four Business Units.

HAIRCARE

Production of hair coloring and haircare products, marketed through a network of direct agents and distributors in professional, retail, and e-commerce channels

SKINCARE

Production of skincare and make-up products, marketed through a network of direct agents and distributors in professional and e-commerce channels

TECH

High-tech Italian-made products at the service of beauty. Design, functionality and guaranteed safety. In-house research and development for latest generation technologies

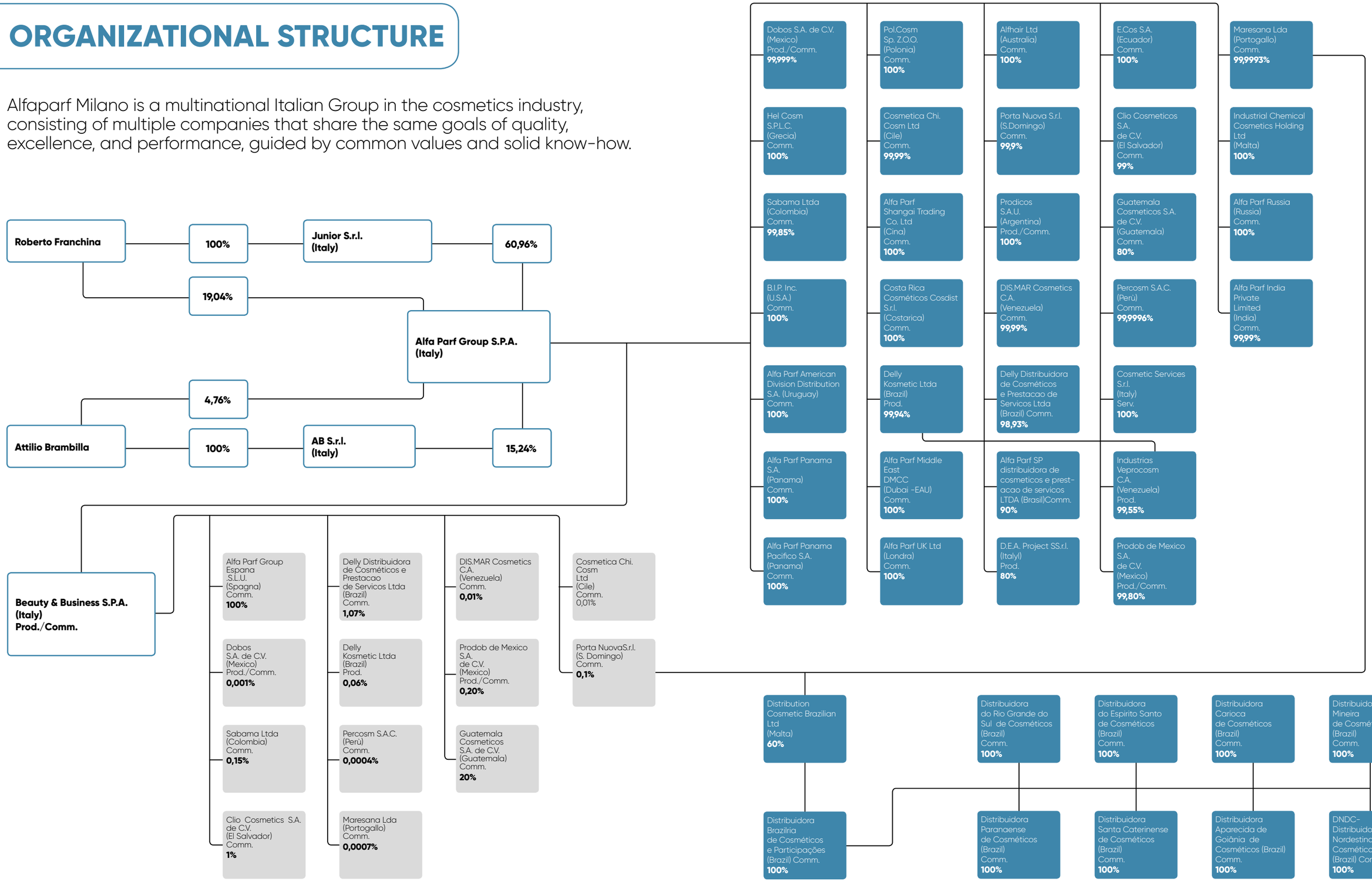
PRIVATE LABEL

Production on behalf of third party Customers who use the Group's professionalism and know-how to market their products worldwide



ORGANIZATIONAL STRUCTURE

Alfaparf Milano is a multinational Italian Group in the cosmetics industry, consisting of multiple companies that share the same goals of quality, excellence, and performance, guided by common values and solid know-how.





In conducting its business, the Group has adopted a traditional model of Corporate Governance that provides a clear separation between the administrative and control functions. In particular, Company management is handled by the Board of Directors, while the Board of Auditors is responsible for supervisory functions. Both governing bodies are elected by the Shareholders' Meeting.

Shareholders' Meeting

The Shareholders' Meeting of Alfaparf Group S.p.A., the Group's holding company, is responsible for making the Group's most important decisions, approving the financial statements, and appointing Directors, Auditors and the Chairman of the Board of Auditors.

Board of Directors

The Board of Directors of Alfaparf Group S.p.A. is appointed by the Shareholders' Meeting and is responsible for the Group's strategic guidance, making the most important decisions on managing the companies within it, business direction, control activities, and performance monitoring.

Roberto Franchina – Chairman | Attilio Brambilla – Vice Chairman

Board of Auditors

The Board of Auditors has the task of supervising the activity of directors and ensuring that company management and administration comply with the law and the deed of incorporation.

Andrea Casarotti – Chairman	
Alessandro Ricci - Auditor	Giuseppe Caldesi Valeri – Auditor
Alternate Auditor: Fabio Gallio	Alternate Auditor: Simone Furian

Auditing Firm

The Auditing Firm is responsible for legal auditing of the accounts and certifying the Group's financial statements, with absolute autonomy and independence from management bodies. This guarantees transparency to the market and protects stakeholders with regard to the company's economic performance.

Auditing firm: Ernst & Young S.p.A.

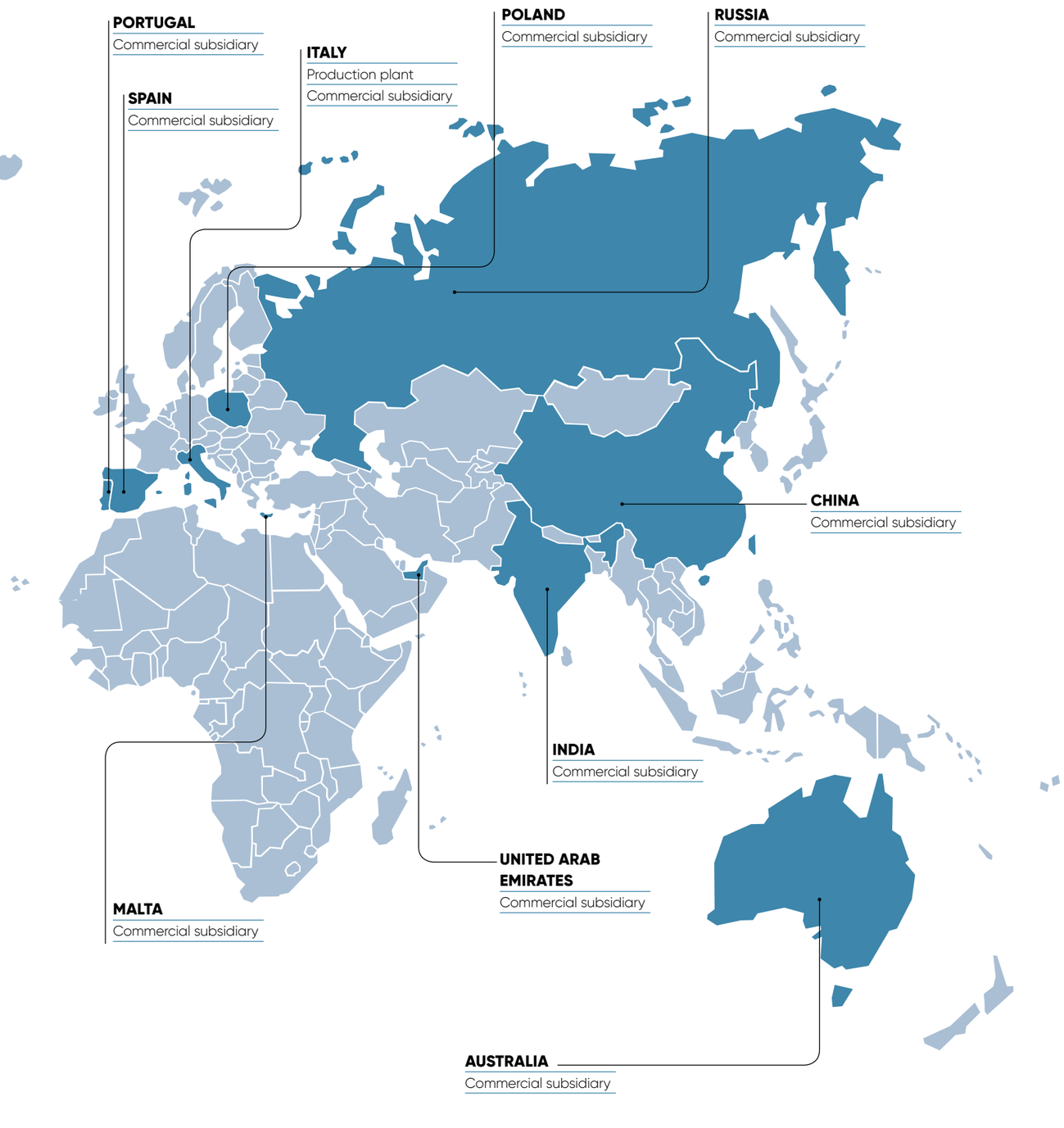
Sustainability Committee

The Sustainability Committee was established in 2021 for the purpose of supporting the Board of Directors through appropriate proactive and consulting investigative procedures, to promote the gradual integration of environmental, social and governance factors into the Group's activities in order to create value for shareholders and other stakeholders over the medium to long term



COUNTRIES OF PRESENCE







MARCHI

The commitment made over the years to search for innovative and high-quality products has allowed many brands to become established on both the Italian market and the export market: today, the Group has 12 brands, 4 for the Haircare Division, 6 for the Skincare Division and 2 for the Tech Division.

HAIR CARE

ALFAPARF MILANO PROFESSIONAL

Beauty must be a source of pleasure: this way it can help face the challenges of life. ALFAPARF MILANO PROFESSIONAL expresses a unique human and independent point of view, which came into being thanks to its presence in the local area. For 40 years, ALFAPARF MILANO PROFESSIONAL has been at the side of hairdressers with effective services and products that make their work easier and offer people the possibility to express themselves as they wish.

IL SALONE MILANO THE LEGENDARY COLLECTION

IL SALONE is a brand characterized by professional (through hairdressing salons) and retail (through selected chains of beauty stores) distribution, with an excellent quality-price ratio.

YELLOW PROFESSIONAL

Created in Brazil to meet the needs of the local population, today YELLOW PROFESSIONAL is a professional brand distributed all over the world, which has become established thanks to formulas which are an optimal combination of advanced technologies and ingredients of natural origin. It is a line of products that are easy to use and with an excellent quality-price ratio.

Alta Moda é...

Launched in Brazil and today distributed in Central and South America, ALTA MODA È... is the first Alfaparf Milano brand for the retail channel. With the strength of professional technology, it offers consumer products for haircare and hair coloring.



SKIN CARE

Protetta. Abbronzata. «Sopra le righe» (Protected. Tanned. "Over the top").
SOLARIUM, the sun care cosmetics created by the expertise of the Beautician who for over 30 years has been taking care of beauty "in the sun" for a perfect tan in complete safety. A full range of products to use before, during and after exposure to the sun, characterized by highly advanced sun filters, appealing textures, inebriating fragrances and a unique, joyful and colorful style.

Oltre il colore la performance (Beyond color, performance).
DECODERM goes beyond the limits of color and makes the desire for beauty, color and protection of every woman come true. Make-up and skincare merge, giving rise to an exclusive line of make-up, thanks to innovative formulations with a treatment action. Multipurpose products, developed in synergy with hi-tech applicators, ensure a professional result and simple and fast application A harmonious range of shades exalts the beauty of every woman and lets her create perfect looks on every occasion.

Tecnologia e Natura (Technology and Nature).
From the fusion of technology, nature and science comes TEN SCIENCE. It draws on the most precious active ingredients that Nature offers us, making use of their potential to a maximum, thanks to the most advanced technologies. It offers highly advanced formulas for effective treatments and exclusive cosmetic solutions. The home of the brand is the TEN Institute, the mirror of the soul of TEN where nature embraces technology, for true beauty.

La bellezza in un metodo (Beauty in a method).
Since 1976, DIBI MILANO has been the leading player in the world of professional beauty and a reference in cosmetic excellence. The DNA of DIBI MILANO is enclosed in the name: DIBI, Biotechnological Division, the last cosmetic scientific frontier, a synergic association of research and technology, Made in Italy. To offer unequalled results and a personalized "made to measure" method. The DIBI MILANO beauty center is recognized in the DIBI Center, symbol of excellence in the service and in consulting, with specialized beauticians, real beauty consultants.

Sostenibile, naturale, Italiana (Sustainable, natural and Italian).
OLOS, from the Greek for "everything" is the ancestral idea of the union between human beings and nature. The authentic eubiotic sustainable approach generates clean, transparent, safe and effective formulas that respect the skin and the planet and listen to their needs. For natural and authentic beauty, and for a more conscious future.

Ama la tua Bellezza (Love your Beauty).
In 1984, Beauty and Cosmetics merged into BECOS, the beauty professional close to women that enhances their femininity. Love and passion for beauty, together with effective and quality products, are the ingredients of a recipe for success, exclusively Made in Italy. The BECOS Clubs are places where to find professionalism and made to measure answers to start out on a path of beauty.



TECH

With almost forty years of experience in the professional beauty channel, the Group develops and sells latest-generation technologies and appliances for all the needs of a modern beauty center. Design, development, production and assembly: everything is Made in Italy to ensure the best guarantees of certification and quality for our partners.

APG MEDICAL is the medical division of the Group, dedicated to marketing latest-generation Italian-made medical devices. The brand's mission is to improve the work of doctors by providing appliances of quality that perfectly meet their needs, in order to improve the well-being of their patients. Research, development and quality are the icing on the cake of APG MEDICAL, to offer innovative, tested and quality appliances.



AWARDS AND DISTINCTIONS

Confirming its innovative and sustainability-oriented character, the Alfaparf Milano Group was again confirmed a market leader in professional cosmetics in 2021, receiving awards and distinctions thanks to corporate performances and to those of the lines and the products.

CORPORATE

LEADER OF SUSTAINABILITY 2021: The Alfaparf Milano Group has been included in the list of the 150 companies that are Leaders of Sustainability published by Il Sole 24 Ore on the basis of a study carried out by Statista on a panel made up of 1,200 Italian companies. The study was based on an analysis of the reports on sustainability, or non-financial declarations, considering 35 indicators relative to the three dimensions of sustainability: environmental, social and economic.



THE PROCUREMENT AWARDS 2021: the Alfaparf Milano Group came first in the "The Procurement Awards 2021", in the category of Ethical and Sustainable Purchases, with the Evolution of the Green project developed by the Global Purchases Department. Evolution of the Green is an innovative project that embraces the Group's new philosophy of sustainability. The packaging of one of the leading products of ALFAPARF MILANO, the professional permanent coloring line Evolution of the Color, was completely revolutionized to reduce the environmental impact and emissions of CO_2. All the tubes of color made in the Italian plant are made from 100% recycled aluminum, with a 100% recycled plastic cap and a box made from 100% recycled paper. In addition, the explanatory leaflet has been replaced by a QR code.

WOMEN'S WEAR DAILY 2021: The Alfaparf Milano Group was included in the special 2021 ranking of the world's 100 largest cosmetics manufacturers drawn up every year by the online magazine Women's Wear Daily, one of the most authoritative sources of information in the sector, and published in the special Beauty Inc. In the ranking, Alfaparf Milano is one of the four Italian companies present and the only one in the professional segment.



HAIRCARE

PURE BEAUTY AWARDS 2021 – ALFAPARF MILANO Semi di Lino Smoothing Mask: ALFAPARF MILANO was selected as one of the finalists of the Pure Beauty Awards London 2021, in the "Best New Hair Product" category, with the Semi di Lino Smoothing Mask for unruly hair.

BEST BEAUTY BUYS 2021 – ALFAPARF MILANO Semi di Lino Curls Enhancing Low Shampoo: ALFAPARF MILANO Semi di Lino Curls Enhancing Low Shampoo was nominated "Best for Volume" in the Hair Cleansing category, a prize awarded by Social & Personal as "Best Beauty Buys 2021".

SKINCARE

SPA CHINA WELLNESS AND SPA AWARDS 2021 – DIBI MILANO Lift Creator Line: in 2021, the Lift Creator line by DIBI Milano received an award at the "Spa China Wellness & Spa Awards", proving the appreciation of the Chinese market for the high-end professional line for body care with a lifting and firming effect.

ELLE BEAUTY AWARDS 2021 ITALY – DIBI MILANO Tonic Lifter Firming Youth Cream: Tonic Lifter Firming Youth Cream by DIBI MILANO, thanks to its anti-ageing effect which firms the whole body, leaving it even all over, obtained the first prize in the Body Skincare category.

BEST BEAUTY BUYS 2021 – DIBI MILANO Lift Creator Botox Concentrate: DIBI MILANO Lift Creator Botox Concentrate was selected as "Best For Firming" in the Serums & Treatments category for its extraordinary toning action. The distinction was awarded by Social & Personal as "Best Beauty Buys 2021".

BEAUTY & WELLNESS AWARDS 2021 – BECOS White Prisma Anti-Dark Spot Roll-On: White Prisma Anti-Dark Spot Roll-On was selected as "Best Dark-Spot Control" in the Best Skincare category for its extraordinary action which has a targeted action on dark spots of the skin, fighting their visibility, intensity and dimensions. The distinction was awarded by Beauty Insider.



2. GOVERNANCE

Sustainability Plan

1. Be transparent and responsible



SUSTAINABILITY STRATEGY

The Alfaparf Milano Group, conscious that the ultimate aim of the company's business cannot be limited only to maximizing profit, pursues a model of industrial development based on the principles of sustainability, transparency and quality, taking on concrete commitments and adopting specific management and organizational structures, with the goal of creating shared value for all its stakeholders, in the respect of the environment and in the interest of the future generations.
During 2021, Alfaparf Milano redefined its sustainability strategy, identifying the priority areas of action through the involvement of the Management, Employees and the Customers of the Group.

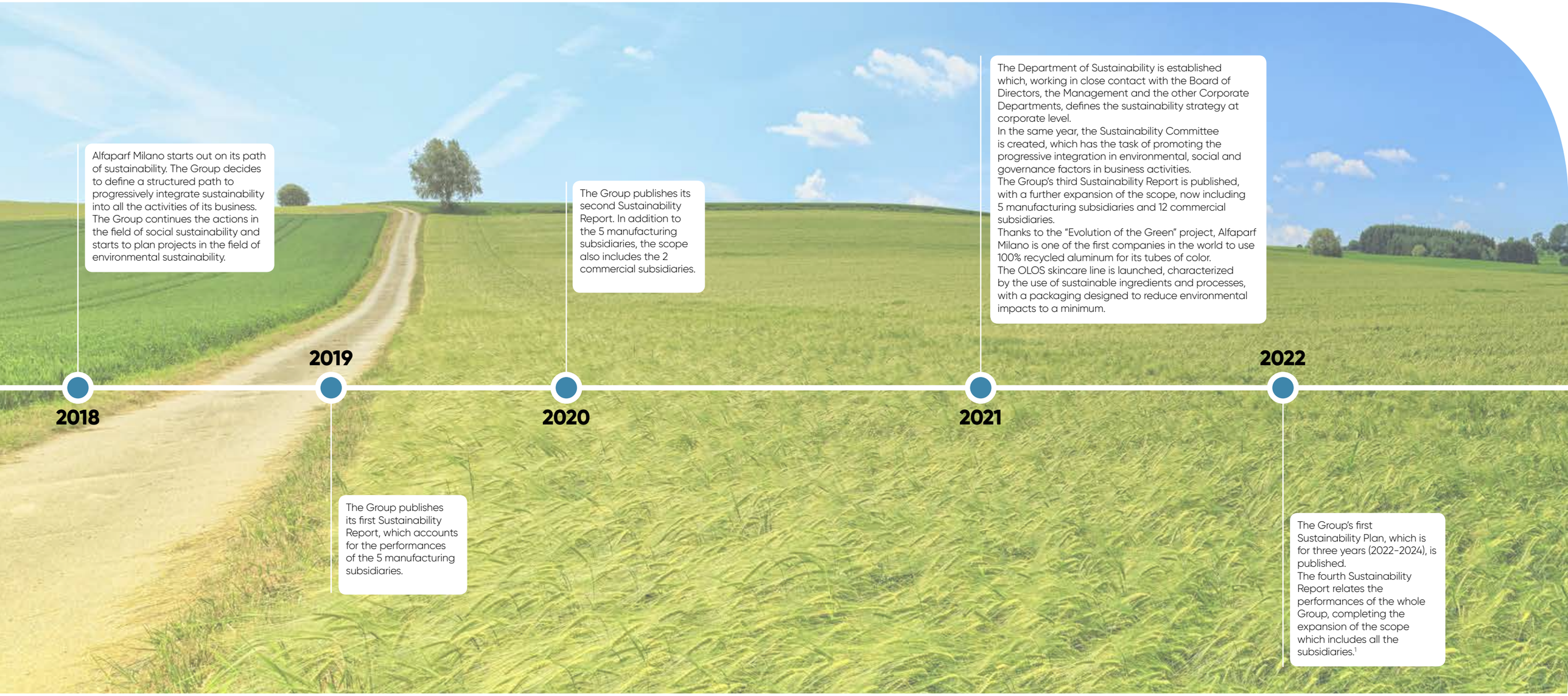


SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda, with its Sustainable Development Goals, has brought out the need for a change by governments, individuals and businesses.
Companies, as the main drivers of economic development, play a leading role in this major program of action to achieve these common goals by 2030; companies all over the world – including Alfaparf Milano – are called on to make their contribution through new models of responsible business, investments in research, innovation and development, the establishment of partnerships and collaborations with the stakeholders.
Corporate sustainability is a key element of the corporate strategy for Alfaparf Milano and a founding value of business culture which, concretely, is translated into a series of actions and projects aimed at achieving the 13 Sustainable Development Goals.



THE SUSTAINABILITY PATH



2018

Alfaparf Milano starts out on its path of sustainability. The Group decides to define a structured path to progressively integrate sustainability into all the activities of its business. The Group continues the actions in the field of social sustainability and starts to plan projects in the field of environmental sustainability.

2019

The Group publishes its first Sustainability Report, which accounts for the performances of the 5 manufacturing subsidiaries.

2020

The Group publishes its second Sustainability Report. In addition to the 5 manufacturing subsidiaries, the scope also includes the 2 commercial subsidiaries.

2021

The Department of Sustainability is established which, working in close contact with the Board of Directors, the Management and the other Corporate Departments, defines the sustainability strategy at corporate level.
In the same year, the Sustainability Committee is created, which has the task of promoting the progressive integration in environmental, social and governance factors in business activities.
The Group's third Sustainability Report is published, with a further expansion of the scope, now including 5 manufacturing subsidiaries and 12 commercial subsidiaries.
Thanks to the "Evolution of the Green" project, Alfaparf Milano is one of the first companies in the world to use 100% recycled aluminum for its tubes of color.
The OLOS skincare line is launched, characterized by the use of sustainable ingredients and processes, with a packaging designed to reduce environmental impacts to a minimum.

2022

The Group's first Sustainability Plan, which is for three years (2022-2024), is published.
The fourth Sustainability Report relates the performances of the whole Group, completing the expansion of the scope which includes all the subsidiaries.[1]

[1]Only the companies in which Employees are present have been considered

2022-2024 SUSTAINABILITY PLAN

During 2020 and 2021, Alfaparf Milano involved the Management, the Employees and the Customers of the Group to implement a multi-year Sustainability Plan which will guide the Group in its strategic decisions of development.
The Sustainability Plan defined for the years 2022-2024 rests on 4 fundamental pillars:

1. Be transparent and responsible (SUSTAINABLE GOVERNANCE)

The Group intends to conduct its business transparently and responsibly, communicating its strategy, goals and results to all the stakeholders and integrating their expectations into the decision-making processes. Alfaparf Milano undertakes to manage its resources efficiently and strategically, to generate value for the company and at the same time to contribute to the social and economic development of the local area in which it works, to the growth of people and all the players who make up the value chain, to the protection of the environment and to promoting the respect for human rights. In particular, the Group undertakes to:

- **Integrate sustainability into its business strategies**
- **Communicate clear, reliable, accurate, complete and acquirable information to the stakeholders**
- **Actively manage all the risks (ESG)**

2. Create value in the long-term through innovation (ECONOMIC SUSTAINABLITY)

The generation of value in the long-term is the primary goal of the Group and to achieve it, a responsible and sustainable strategy has been adopted with the aim of constantly improving the economic-financial performances, but without overlooking the environmental and social dimensions. Specifically, Alfaparf Milano intends to:

- **Promote the activities of research and development**
- **Manage procurement and the supply chain responsibly**

3. Mitigate climate change (ENVIRONMENTAL SUSTAINABILITY)

Climate change is a global issue that is causing effects which are often irreversible. According to the scientific community, it is fundamental to implement a series of immediate actions that entail a rapid reduction and on a vast scale of the greenhouse gases in order to change the course of events.
To face this challenge, it is important that, in addition to Governments and Institutions, the private sector concretely undertakes to make its contribution. On the one hand, companies are responsible, through the emissions of greenhouse gases, for the climate change and, on the other hand, they are also the potential victims of the most catastrophic events caused by this phenomenon.
Alfaparf Milano strongly believes that the ability to create value in the long term is closely linked with the ability to understand and correctly assess the risks and opportunities related to climate change, including them in its business strategy. The Group undertakes to:

- **Measure, reduce and compensate the emissions of CO_2 of its manufacturing activities**
- **Measure, reduce and compensate the emissions of CO_2 of the products**
- **Evaluate, monitor and mitigate the environmental impacts**

4. Look after Collaborators, Customers and local Communities, promote inclusion and foster empowerment (SOCIAL SUSTAINABILITY)

The primary goal of social sustainability is the promotion of fairness, through the eradication of poverty and the creation of decent living conditions for every person. Social sustainability concerns the protection of the right of each human being to live in a context that allows them to express their individuality fully and legitimately through the protection of individuals' human, economic, social, political, cultural, religious and ideological rights as well as rights of gender equality and ethnicity, with the aim of building up a better society for the whole community.
For the Group, being responsible from the social point of view is not a simple voluntary act dictated by conscious choices but is a necessary approach for the development of the company, as benefits are linked to this in terms of risk management, reduction of costs, access to capital, relations with Customers, human resources management, reputation and capacity of innovation. To guarantee the creation of value in the long term, the Group therefore undertakes to be sustainable including from the social point of view, involving all its stakeholders. Alfaparf Group intends to:

- **Promote the acquisition of knowledge, the development of skills and education**
- **Boost communication, share information and foster the empowerment of individuals and of communities**
- **Promote human development and help people to reach and express their potential**

Sustainability Plan Pillar	SDG	SDG Target	Sustainability Plan Goals	Sustainability Report
1. Be transparent and responsible (SUSTAINABLE GOVERNANCE)		Promote just, peaceful and more inclusive societies for sustainable development; offer access to justice for all and create bodies that are efficient, responsible and inclusive at all levels	• To integrate Sustainability in the business strategies • To communicate clear, reliable, clear, accurate, complete and acquirable information to the stakeholders • To proactively manage risks	CHAPTER 2. Governance
2. Create value in the long erm through innovation (ECONOMIC SUSTAINABILITY)		Promote inclusive and sustainable economic growth, employment and decent work for all	• To manage procurement and the supply chain responsibly • To promote activities of research and development	CHAPTER 3. Financial capital CHAPTER 4. Intellectual capital CHAPTER 5. Productive capital CHAPTER 6. Human capital
		Build resilient infrastructure, promote sustainable industrialization and foster responsible and sustainable innovation		

Sustainability Plan Pillar	SDG	SDG Target	Sustainability Plan Goals	Sustainability Report
3. Mitigate climate change (ENVIRONMENTAL SUSTAINABILITY)		Ensure access to water and sanitation for all	• To measure, reduce and compensate the emissions of CO_2 of the production activities • To measure, reduce and compensate the CO_2 emissions of the products • To evaluate, monitor and mitigate environmental impacts	CHAPTER 3. Financial capital CHAPTER 4. Intellectual capital CHAPTER 5. Productive capital CHAPTER 7. Natural capital CHAPTER 8. Social and relational capital
		Ensure access to affordable, reliable, sustainable and modern energy for all		
		Build resilient infrastructure, promote sustainable industrialization and foster responsible and sustainable innovation		
		Make cities inclusive, safe, resilient and sustainable		
		Ensure sustainable consumption and production patterns		
		Take urgent action to combat climate change and its impacts		
4. Look after Collaborators, Customers and local communities, promote inclusion and foster empowerment (SOCIAL SUSTAINABILITY)		Ensure healthy lives and promote well-being for all at all ages	• To promote the acquisition of knowledge, the development of skills and education • To boost communication, share information and foster the empowerment of individuals and communities • To promote human development and help people reach and express their potential	CHAPTER 6. Human capital CHAPTER 8. Social and relational capital
		Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		
		Achieve gender equality and empower (greater strength, self-esteem and awareness) all women and girls		
		Promote inclusive and sustainable growth, employment and decent work for all		
		Reduce inequalities within and among countries		

INVOLVEMENT OF THE STAKEHOLDERS

The stakeholders are those who in various ways, can influence or be influenced by the Group's activities. They represent the complexity of the organization, highlighting all the relations that characterize the activities of Alfaparf Milano. Through the Sustainability Report, the Group intends, on the one hand, to inform precisely and transparently its stakeholders on its performances, on the other to communicate with them through the establishment of a continuous dialogue and, where possible, involve them directly in defining plans, measures and actions. For Alfaparf Milano, the stakeholders are always the main point of reference for the corporate business and discussion with them is an occasion for growth and improvement for the Group. The Alfaparf Milano stakeholder strategy management is made up of four phases:

- identification of the stakeholders;
- identification of the most suitable methods of involvement;
- analysis of the stakeholders' expectations;
- integration of the stakeholders' expectations in the corporate plans.

Stakeholder	Method of involvement
Shareholders	Interviews and daily exchanges on corporate management Meetings on specific subjects
People	Educational programs and performance management programs Sharing the Code of Ethics
Customers and Consumers	Customer Service Interaction through the social networks Sales organization as a channel for listening, intermediation and communication Interaction through giving out questionnaires Creation of work groups with teams of hairdressers/beauticians
Suppliers	Periodic meetings with suppliers and visits/audits in loco Sharing the Code of Ethics Periodic contacts to define standards of quality
Local communities	Continuous relations with the local authorities and the community to manage the impacts of the production sites on the local system Support activities in some initiatives by the local authorities and charity and/or voluntary associations in the social and cultural field Sharing and collaboration on subjects linked to the local area
Local, national and international institutions, Trade associations	Participation in local and national trade organizations Participation in events such as conferences, seminars etc. to share experiences and the company situation with third parties
Financial institutions	Periodic meetings to share the evolution of the global scenarios of the financial markets Periodic meetings to analyze the performances and development plans of the company
Press and Social Media	Relations with the local and international press Participation in round tables Interaction through the social networks
Trade Unions	Periodic meetings to analyze the corporate situation Negotiations on specific corporate subjects

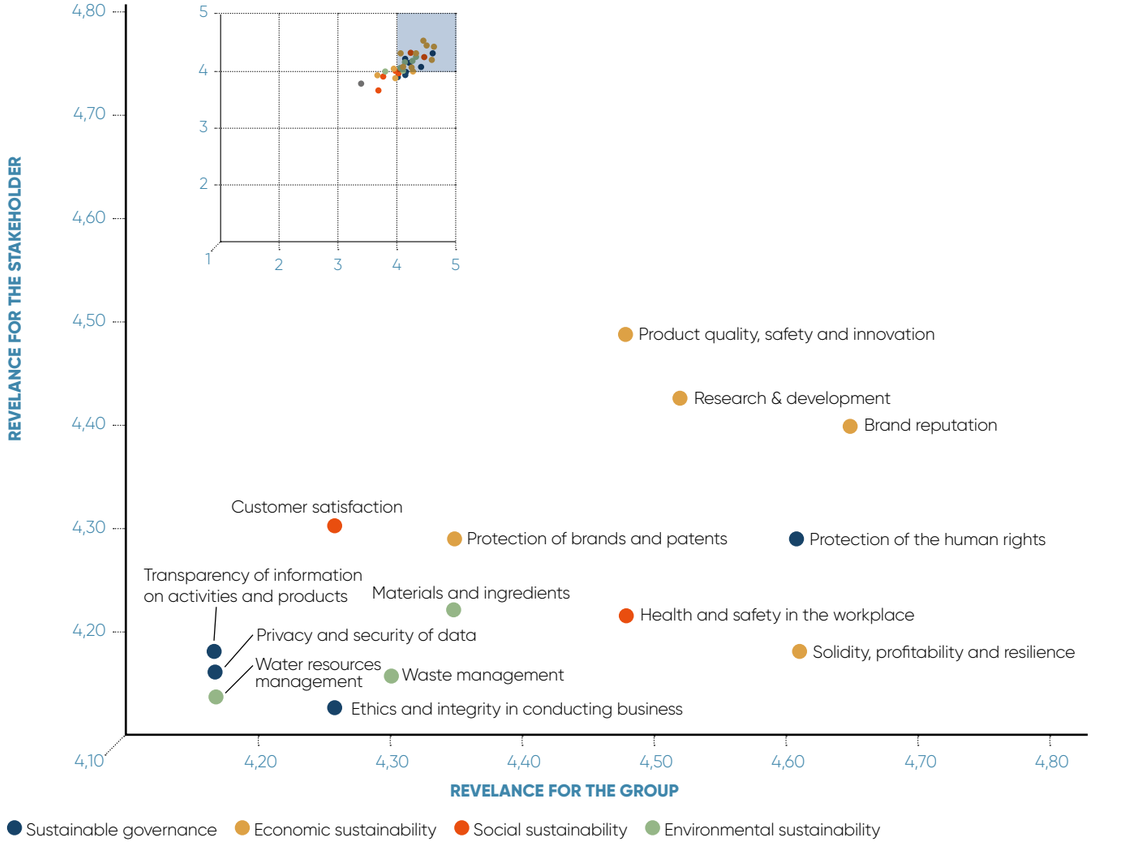
ANALYSIS OF MATERIALITY

For the definition of the areas and topics to be reported on in its Sustainability Report, Alfaparf Milano has carried out an analysis of materiality to identify and give priority to the issues considered important and significant for its business and for its stakeholders. These issues are defined material as they reflect the economic, social and environmental impacts (positive and negative) of the organization, including with respect to the expectations, interests and evaluations of its stakeholders.
According to the approach of the European Union, defined in the Communication of the European Commission published in June 2019 containing the guidelines on the information on climate change as per the Non-Financial Reporting Directive (Directive 95/2014 - NFRD), the material issues are those areas of sustainability which can have significant impacts on the development, the performances and the value of a company. At the same time, a material topic is defined in relation to the areas and issues of a social and environmental nature on which the company, through its business, can have a significant impact. The two "directions" of materiality are interconnected.

Sustainability Plan	Issues submitted for evaluation in the analysis of materiality
1. Be transparent and responsible (SUSTAINABLE GOVERNANCE)	• Ethics and integrity in the conduct of business •Responsibility in the conduct of business and towards the stakeholders •Transparency of information on activities and products •Management of ESG risks •Involvement of the stakeholders •Anticorruption and compliance •Protection of human rights •Privacy and data security •Management of relations with the authorities
2. Create value in the long-term through innovation (ECONOMIC SUSTAINABILITY)	•Solidity, profitability and resilience •Distribution of economic value generated •Approach to taxation •Fair competition •Supply chain management •Logistics management •Brand reputation •Marketing •Research & development •Protection of trademarks and patents •Product quality, safety and innovation •Markets served
3. Mitigate climate change (ENVIRONMENTAL SUSTAINABILITY)	•Energy consumption •Mitigation of climate change •Materials and ingredients •Waste management •Management of water resources •Protection of biodiversity
4. Look after Collaborators, Customers and local Communities, to promote inclusion and foster empowerment (SOCIAL SUSTAINABILITY)	•Education and development of skills •Diversity, inclusion and equal opportunities •Well-being of Employees and private life-work balance •Occupational health and safety •Customer satisfaction •Partnerships and collaborations with schools and universities •Dialogue with the local areas and communities

Not all the material aspects are of the same importance, and the emphasis in a report reflects their relative priority. For the purposes of drawing up the third Sustainability Report, Alfaparf Milano made, consistently with the GRI Standards, an analysis of materiality. The analysis was carried out also taking into account the provisions of Legislative Decree 254/2016, which disciplines how the NFD is drawn up.
In order to identify the most important and significant issues for the Group and for its stakeholders, the analysis of materiality was made through a structured process in six phases:
- identification and mapping of the stakeholders;
- analysis of the guidelines of both Industrial and Sustainability Plans and relative goals;
- documentary analysis of the scenario of reference: legislation on the sector and megatrends (in particular EU Green Deal policies - EU Next Generation Plan and the PNRR (National Plan for Recovery and Resilience);
- benchmarking of sustainability reporting of the Group's main national and international comparables and competitors
- evaluation of the company management and of the stakeholders (Employees, Collaborators, Suppliers, Customers) through an online survey;
- validation of the issues of materiality and of the level of priority by Top Management.

Materiality matrix



The analysis of materiality of the 2021 Sustainability Report was carried out through participation, with the active involvement of internal and external stakeholders.
For the evaluation of the topics, a questionnaire was sent to the contacts who were asked to assign a score for each significant issue (from 1 = not important to 5 = extremely important).
Once all the evaluations had been collected, they were analyzed and consolidated. The result obtained is a matrix of materiality which allows briefly showing the issues analyzed. It shows exclusively the issues which passed what is known as the materiality threshold, i.e., those which obtained, on both axes, an average score of more than 4.12.
The matrix of materiality obtained identifies the important issues, understood as those aspects which can generate significant economic, social and environmental impacts on the company's activities and which, by influencing the expectations, decisions and actions of the stakeholders, are perceived by them as critical, whether positively or negatively.
The analysis of materiality also allowed:

- analyzing the evolution of the material issues over the years (entrance/exit of the topics in/from the matrix; different positioning of the issues in the matrix);
- verifying the degree of alignment or misalignment between the perspective of the stakeholders and the perspective of the organization on each issue.

The matrix of materiality shows that, of the 14 issues (out of the 35 analyzed as a whole), deemed most important, both from the point of view of the organization and from the point of view of its stakeholders, five are linked to Economic Sustainability (product quality, safety and innovation; research and development; brand reputation, protection of trademarks and patents, solidity, profitability and resilience); four to Sustainable Governance (protection of human rights, ethics and integrity; transparent information on activities and products; privacy and data security); three to Environmental Sustainability (materials and ingredients; waste management; management of water resources) and two to Social Sustainability (customer satisfaction; occupational health and safety).
The Group has decided to include in the 2021 Sustainability Report issues that are not comprised amongst the 14 most important ones, in order to offer a more complete and detailed overview of information on the impacts associated with the corporate activities.



RESPONSIBLE MANAGEMENT

The system of Corporate Governance that the Alfaparf Milano Group has decided to adopt represents a fundamental instrument to ensure efficient management of the corporate activities, ensuring, in the long term, the creation of value for all the stakeholders.
The culture of Good Governance, which has always characterized the Alfaparf Milano Group, guides the creation of a system of corporate governance based on ethics and on sustainability and fosters the transparent management of the company business, which is also ensured thanks to the definition of internal control and risk management systems.
The Group is constantly committed to keeping and reinforcing the quality of its system of corporate governance, convinced that appropriate governance, aligned with national and international best practices, is a key element to improve its performances in the economic, environmental, and social fields, as well as to increase its competitiveness and consolidate its ability to attract and retain the best resources.

CODE OF ETHICS

The Code of Ethics, adopted in 2016 and updated in 2022, is the document in which the principles and inspiring values of the activity of all those who operate in the Group have been identified. An orientation towards ethics is indispensable to ensure the reliability of the behavior of the Group towards its stakeholders and, more in general, towards the whole civil, economic and social context in which the Group operates. In this field, the Code of Ethics defined all the values that Alfaparf Milano recognizes, accepts and shares and all the responsibilities that it has internally and externally.
The Group has decided to adopt ethical behavior, i.e., not only to be in compliance with the law, but also to play a positive and constructive role for the economic and social context in which it operates through the adoption of policies that respect the individual, protect the environment and promote the development of the local communities. The corporate mission itself has evolved and is no longer based on a static vision of profit, understood as the sole purpose of company activity, but interprets the importance of pursuing social and environmental, as well as economic, goals.
The responsibility of the company is therefore concretized in the creation of value for all the stakeholders in the awareness that their satisfaction fosters a relaxed and serene climate, allowing a relationship of mutual trust and collaboration, indispensable for the pursuit of the common good, to be established.
For Alfaparf Milano, a company can be defined socially responsible only if it transfers its goal from the pursuit of maximum profit to the creation of maximum value. And, as a consequence, it is logical that the company management states how it has operated in relation to the corporate mission in order that there is consistency between what the company offers and what it receives in exchange from the economic and social system.

FIGHTING CORRUPTION

Beauty & Business S.p.A. adopted an Organization and Management Model which applies both to internal relations and relations with external parties, for the purpose of avoiding any offences that are punishable according to Legislative Decree 231/2001 being committed.
The choice of voluntarily adopting an Organizational Management Model is part of the wider corporate policy of raising awareness on transparent and correct management, in the respect of the legislation currently in force and the fundamental principles of business ethics in the pursuit of the company purpose.
Beauty & Business S.p.A. has mapped the processes, showing the sensitive activities, the functions and roles directly involved, combining with the already existing controls further new instruments – such as new operating procedures – in compliance with the requirements, the new laws and the new standards for risk analysis and prevention.
This Model, inclusive of the Code of Ethics, forms an integral part of all the rules, procedures and systems of control developed by Beauty & Business S.p.A., contributing to define an overall, structured and complete organizational picture aimed at preventing illegal behavior.
From the methodological point of view, including during 2021, the Supervisory Body carried out the activity of verifying the Special Part of the Model, in particular through interviews with the subjects who are responsible for the significant activities, with a twofold purpose:

- to carry out and obtain an overview of the concrete application of the operating principles of the Model;
- to verify the presence and/or the application of official procedures for the management of the processes, in general, and for the application of the operating principles of the Model, in particular.

Since the adoption of Model 231, 100% of the contracts and agreements of investment made by Beauty & Business S.p.A. include a note requesting the signature of the Code of Ethics and Model 231 of the Company. The pre-existing suppliers have been informed of the adoption of the 231 Organizational Model and they have been asked to examine it.
In relation to the topic of anticorruption, there is a control system based on the assumption of avoiding cases of corruption or of any other major crime. This system relies on some fundamental principles of control such as the so-called process ownership, according to which each company process must respond to a specific contact person whilst the powers and the responsibilities must be clearly defined and recognized.
The educational activity was carried out mainly following the adoption of the Model 231 and was differentiated in the contents and in the methods depending on the position of the addressees and the level of risk of the area in which they operate. In particular, two types of 231 education were provided:

- for personnel operating in production;
- for personnel operating in the administrative offices, with a special focus on the first corporate levels who contributed to raising awareness on the topics to the whole organization.

The training, carried out for the time being only for personnel in the Italian subsidiary, is held periodically, while the Code of Ethics has been translated into the Group's four main languages and distributed to all the Collaborators of the Group.

INTERNAL AUDIT

Internal auditing started in July 2016, with the purpose of evaluating the system of internal control of the main processes of the Group. The control activity is carried out by the specific Corporate function appointed for all the Group's subsidiaries, whether manufacturing or commercial, and concerns the processes referred to the following areas:

- Purchasing
- Human Resources
- Administration, finance and control
- Logistics
- Reception of raw materials and packaging
- Quality Control
- Commercial
- Health, safety and the environment
- Production

In addition, during the mapping and verification activities of the processes according to the annual audit plan, further checks are carried out on the points of control relative to the risks discussed in the Model of Organization and Management adopted by the holding company.
In 2021, following the continuation of the health emergency situation, in-person audits were not carried out at the foreign subsidiaries; verification and control activities were carried out only at the Italian subsidiaries.
A total of 12 audits were carried out in 2021, of which:

- 9 audits in situ in the Italian subsidiaries
- 3 audits in situ at contractors located in Italy

On the request of the Corporate Departments, some special audits were also carried out which consisted of detailed verifications on specific areas.
Following the audits, all the points for improvement found were shared with the audited subjects, giving a deadline for the corrective actions to be completed.



CERTIFICATIONS

The Alfaparf Milano Group is constantly committed to raising the quality of products and services offered by professional operators (hairdressers and beauty centers) through the application of an Integrated Management System in order to create synergies, integrate processes and distinguish their specializations, in the full respect of the environment, people, Customers and the local communities.
The first certifications acquired by the production sites of the Group were and are functional to the application of a correct Quality Management System, guaranteeing the conformity of the products and services. The production sites in Argentina, Brazil, and Mexico apply both ISO International Standards and standards of Good Cosmetics Manufacturing practices, as requested by the government authorities (for example GMP – Cofepris in Mexico and GMP Anmat in Argentina) and are subject to periodic inspections by the same. Over the years, in step with the commitment to sustainability, the Group has voluntarily decided to adapt to international ethical-social and environmental standards and in some cases, to follow a path of certification. In 2021 the production site in Mexico obtained the Industria Limpia certification, a voluntary environmental audit which is for companies that intend to make their production processes more efficient, reduce the production of waste, prevent environmental accidents, consolidate good practices and continuously improve their processes. With the Industria Limpia certification, the Mexincan subsidiary has further reinforced its commitment to the Mexican community, actively contributing to environmental protection and conservation, promoting sustainable development of the local communities and ensuring the protection of the well-being of the resident populations.
Specifically, the certifications obtained or renewed in 2021 are as follows:

- UNI EN ISO 9001:2015 – Quality Management System (QMS) (Italy, Mexico and Brazil)
- ISO 22716:2007 Cosmetics - Good Manufacturing Practices (GMP) (Italy, Mexico and Brazil)
- UNI EN ISO 13485:2016 – Medical Devices – Quality Management System (Italy)
- AEO certification (Authorized Economic Operator) (Italy)
- Industria Limpia (Mexico)

On the request of the Customers of the Private Label Division, some production sites of the Group have also been the object of further audits for the respect of international standards of an ethical-social and environmental nature. In particular, the checks carried out by accredited third bodies on the following standards obtained a positive outcome: SMETA (Sedex Members Ethical Trade Audit), SEDEX (Supplier Ethical Data Exchange) and ELEVATE. These audits had as their subject the evaluation of the whole organization, the corporate risk, quality, economic, environmental and social sustainability, and the goals for improvement in relation to the economic, ethical-social and environmental performances.

For the future, despite the difficulties of the period, the Group has set itself the goal of keeping and renewing the current certifications and to obtain further certifications, to complete its Integrated Management System:

- ISO 14001:2015 – Environmental Management System
- ISO 45001:2018 – Occupational Health and Safety Management
- ISO 22301:2019 - Business Continuity Management Systems

GOALS FOR IMPROVEMENT

Goal	Sustainability Plan	SDG	Deadline	Status
To create a work group to revise the existing risk analysis and propose the integration of ESG risks	1.Be transparent and responsible - Proactively manage all the risks (ESG)		January 2022	Accomplished
To update the Code of Ethics by integrating the Group's principles and goals of sustainability	1.Be transparent and responsible - Integrate Sustainability into the business strategies		March 2022	Accomplished
To develop a new website for the Group, including information on topics such as governance and sustainability	1.Be transparent and responsible - Communicate clear, reliable, accurate, complete and acquirable information to the stakeholders		July 2022	Accomplished
To make the new Code of Ethics known to all the Employees and collaborators of the Group through education/ internal communication activities	1.Be transparent and responsible - Integrate Sustainability into the business strategies		December 2022	Under way
Acquisition of ISO 14001:2015, ISO 45001:2018 and ISO 22301:2019 certifications for the Italian manufacturing plant	1.Be transparent and responsible - Integrate Sustainability into the business strategies		December 2024	Under way



3. FINANCIAL CAPITAL

Sustainability Plan
2.Create value in the long term through innovation



REPORT ON OPERATIONS

Alfaparf Milano pays particular attention to its ability to create value, not only in terms of profit but also of generating wealth and work in the context of the Group, trying to produce and keep the maximum added value.
In 2021, the recovery of the post-pandemic Italian economy, with a 6.5% increase of the GDP, allowed the Group to benefit from an increase in sales, closing with a volume of sales of approximately € 269.1 million, a growth of 33% compared to 2020.

Income statement
(€/000)

	2021	2020	2019
Ordinary revenues	269,086	202,943	243,101
EBITDA	**57,797**	**35,467**	**44,997**
EBITDA %	**21%**	**17%**	**18.5%**
EBIT	**50,634**	**23,417**	**33,039**
EBIT %	**19%**	**12%**	**13.6%**
Finance Charges	(3,370)	(8,560)	(5,085)
EBT	**47,264**	**14,857**	**27,948**
EBT %	**18%**	**7%**	**11%**
Taxes of the year	(16,521)	1,693	14,986
Profit (loss) of the year	30,660	16,566	12,955
Profit (loss) of third parties	83	(16)	7
NET INCOME	**30,743**	**16,550**	**12,962**
NET INCOME %	**11%**	**8%**	**5.3%**

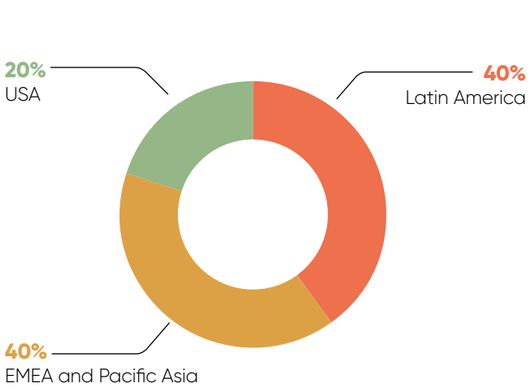


2021 revenues by geographical area and by division
(€/000)

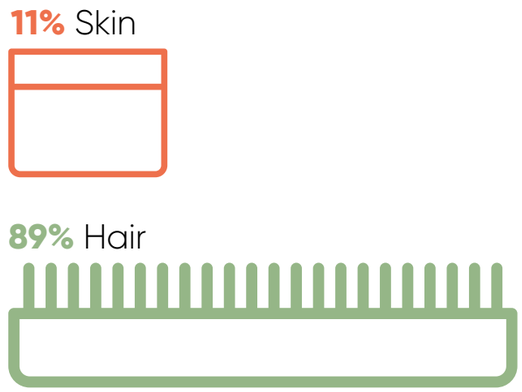
Division	HAIR[2]	SKIN[3]	TOTAL
EMEA and Pacific Asia	77,767	29,107	**106,874**
USA	53,229	273	**53,501**
Latin America	108,349	362	**108,710**
Total	**239,345**	**29,741**	**269,086**

60% of the revenues are generated in America (40% Latin America and 20% United States) and are driven by the hair sector, which accounts for 89% of the revenues.

2021 Revenue by geographical area



2021 Revenue by division



[2] Includes the Haircare and Private Label divisions
[3] Includes the Skincare and Tech divisions

CREATION OF VALUE FOR THE STAKEHOLDERS

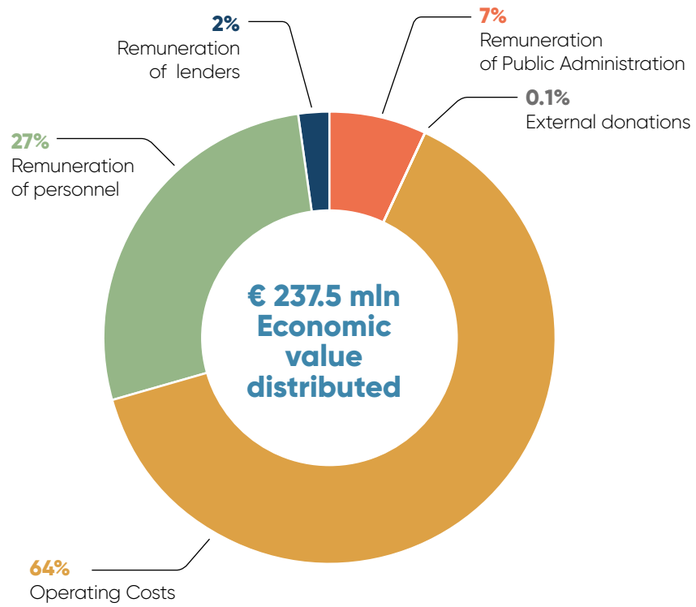
The Economic Value generated by the Group in 2021 is equal to euro 275.4 million and refers to the Production Value as per the year's Financial Statement (Revenues and other operating income), net of the losses on credits and completed with the financial income.
Most of the Economic Value generated has been distributed to the different stakeholders with whom Alfaparf Milano has come into contact in the course of its activity. The Economic Value distributed in 2021 is equal to Euro 237.4 million and represents about 86% of the Economic Value Generated which, as well as covering the operating costs borne during the year, has been used to remunerate Collaborators, Lenders, the Public Administration and the community, understood as donations.
The Economic Value retained, which for 2021 is equal to Euro 0.4 million (14% of the Economic Value Generated), is relative to the difference between the Economic Value generated and distributed and includes the depreciation of tangible assets and the amortization of intangible assets, as well as deferred taxation. It therefore represents all the financial resources dedicated to the economic growth and the financial stability of the Group.
In 2021, the percentage of the Economic Value distributed out of the total of the Economic Value generated remained unchanged compared to 2020.

Reclassification of the income statement
(€/000)

	2021	2020	2019
Revenues	269,086	202,943	243,101
Other income	4,928	2,080	3,908
Financial income	1,456	807	753
Total economic value generated by the Group	**275,470**	**205,830**	**247,762**
Operating costs	151,296	119,355	142,332
Remuneration of the personnel	64,460	55,379	63,119
Remuneration of lenders	5,001	4,025	5,085
Remuneration of the Public Administration[4]	16,521	(1,693)	14,986
Donations	178	33	59
Total economic value distributed by the Group	**237,457**	**177,099**	**225,581**
Economic value retained by the Group	**38,013**	**28,731**	**22,181**

[4] The remuneration of the Public Administration also includes deferred taxation.

2021 Distribution of Added Value





APPROACH TO TAXATION

Alfaparf Milano has always had relations based on transparency and correctness with the main stakeholders, including the local authorities and national institutions. The Group also adopts this behavior on taxation, in the respect of the different legislative requirements. Alfaparf Milano, in particular, defines the management of tax risk taking into account the Model of Organization and Management applied throughout the Group.
Alfaparf Milano manages the taxation aspects through a corporate function, with the aim of ensuring the respect of the tax laws in all the countries in which the Group operates. The function collaborates in close contact with the business, supporting it in the day-to-day operations and in the management of tax issues in the business model.
The tax impacts are taken into due consideration in drawing up the corporate strategic and operating planning, and represent an essential element of evaluation of the consequent economic-social impact. The Group sets as a goal the reinforcement of tax governance and the mitigation of possible tax risks through the introduction of new procedures and guidelines, as well as specific policies, together with the updating of the existing ones.
In order to further improve the services of tax governance, from 2022 an instrument of global tax compliance will be introduced for all the subsidiaries of the Group, useful both for the purposes of monitoring tax obligations and checking that the due dates according to the different tax legislations are respected.



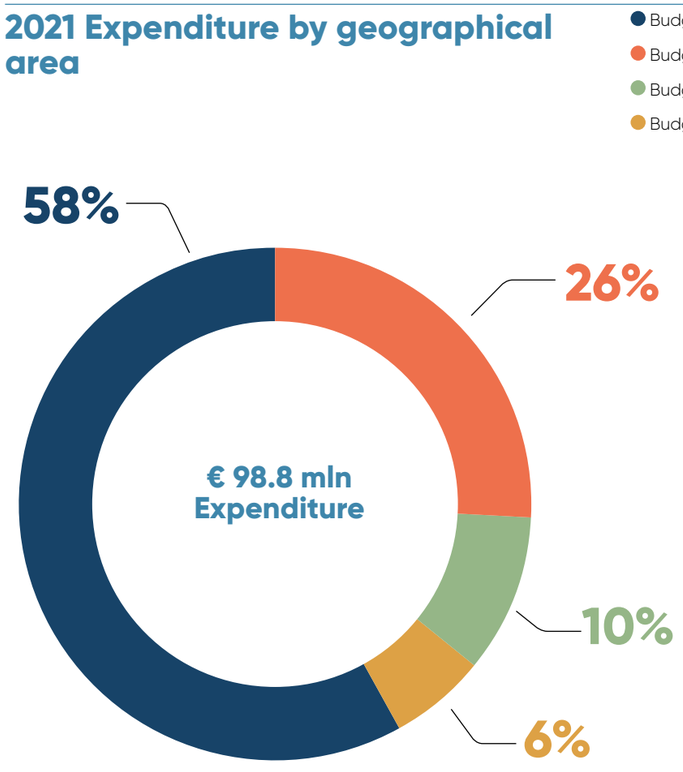
SUPPLIERS

Alfaparf Milano directly controls the whole value chain: from research, development and innovation to production, sale and distribution of its products all over the world. The strategic management of the procurement process is ensured by the Global Procurement Department which, thanks to a dedicated team, ensures transparent control of the supply chain and the efficiency and traceability of the process of purchase and management of the orders and, at the same time, has a coordinating function with the local purchasing offices, in the various foreign subsidiaries.
The centralization of the procurement function at corporate level has led to attaining the correct Total Cost of Ownership (TCO): the consolidation of the expense and the aggregation of the volumes has allowed improved and more efficient monitoring of the whole purchasing process of the Group, benefiting from greater economies of scale, creating synergies between the individual subsidiaries and increasing the number of qualified Suppliers, fostering continuous improvement and the standardization of the processes.
2021 was a particularly challenging year as far as procurement was concerned. The first part of the year was characterized by a generalized recovery and stability in quotations; however, just when the perspective of a stabilization of prices seemed consolidated, a first criticality came about, represented by the increase in the cost of energy, which disrupted the markets. In addition to the increased cost of energy, 2021 was also characterized by the logistics crisis – increase in prices of leasing, shortage of containers, slowdown in deliveries due to restrictive measures to fight Coronavirus, to mention only a few aspects – which had a negative impact on the international supply chains. In the last quarter of the year, a third criticality was added, the scarcity of raw materials, which immediately had important effects on their prices.
An international presence and the worldwide fleet of Suppliers are the strengths that allowed overcoming the three criticalities that characterized 2021 and guaranteeing the manufacturing continuity of the Group. In addition, to ensure logistic and economic sustainability on the one hand, and the respect of the environmental sustainability goals on the other, long-term contracts were implemented with the main Suppliers, in order to guarantee full coverage of needs.
Furthermore, from as early as 2019, for the strategic raw materials Under Consignment Stock has been active, which means that the raw materials are stored in one or more warehouses of the Group, but remaining the property of the supplier until the goods are taken and, once they have been removed according to the individual requirements, the supplier replaces the stock in the warehouse in order to ensure a minimum level of goods available. The advantages for the Customer are to have lower costs of management and frozen assets and a zero restocking lead-time because the goods are always present in the warehouse. For the supplier it is advantageous because they need less space for stock, which is effectively stored at the Customer's, and they have more information on the effective state of sales. They also have the certainty of a long-term order. Under Consignment Stock has also allowed optimizing the logistics linked to the purchasing processes and therefore obtaining benefits of an environmental nature, such as the reduction of CO_2 emissions into the atmosphere associated with transport.

LOCAL PROCUREMENT

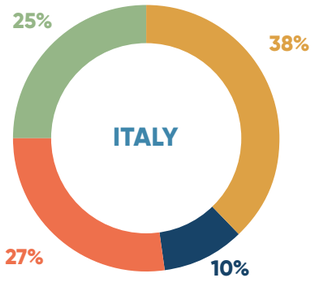
Although the purchasing function is centralized under the Global Procurement Department, for procurement, the Group favors, with quality, performance and price being equal, local commercial partners.
In 2021, Alfaparf Group had commercial relations with over 2,200 Suppliers, for a total of €98.81 million of volume of sales (with an increase of 19% compared to the 2020 volume of sales): of which 58% of the spend was paid to local Suppliers,[5] 26% spent on national Suppliers,[6] 10% on continental Suppliers[7] and the remaining 6% on extra-continental Suppliers.[8] Out of the total of purchases in 2021, 66% concern goods and raw materials directly related to the production and sale of the Group's products (raw materials 27%, packaging 33%; components, appliances and promotional products 6%); while the remaining 34% is related to services (e.g. rental, leasing, marketing activities, translations, miscellaneous consulting etc.) and non-referenceable accessory materials for the activities of the different Departments.

2021 Expenditure by geographical area

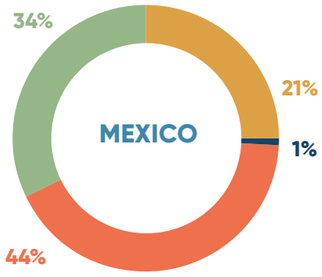


[5] Local suppliers are all the suppliers who have their registered office in the same Region/District where the company of the Group that made the purchase has its head office.
[6] National suppliers are all the suppliers who have their registered office in the same country where the company of the Group that made the purchase has its head office.
[7] Continental suppliers are all the suppliers who have their registered office in the same continent where the company of the Group that made the purchase has its head office.
[8] Extra-continental suppliers are all the suppliers who have their registered office outside the continent where the company of the Group that made the purchase has its head office.

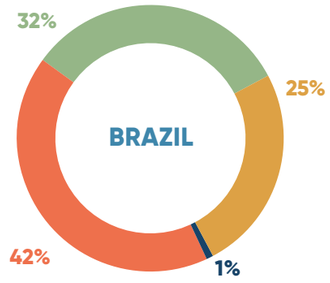
2021 Expenditure by production site



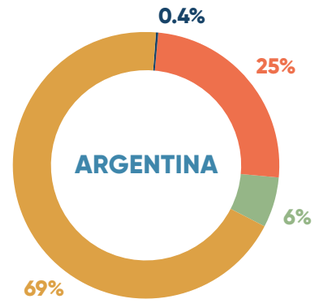
- Components, appliances, promotional products
- Packaging
- Raw materials
- Other non-referenced services and materials



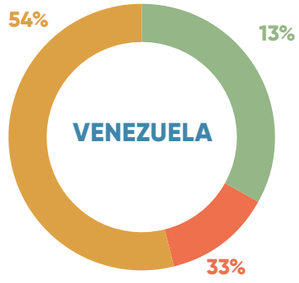
- Promotional products
- Packaging
- Raw materials
- Other non-referenced services and materials



- Promotional products
- Packaging
- Raw materials
- Other non-referenced services and materials



- Promotional products
- Packaging
- Raw materials
- Other non-referenced services and materials



- Packaging
- Raw materials
- Other non-referenced services and materials

SELECTION PROCESS OF THE SUPPLIERS

Alfaparf Milano fosters and incentivizes commercial relations with partners that share the same values of ethical-social and environmental commitment and includes in its supply chain only Suppliers who have undergone a strict process of qualification in order to reduce any risks of non-fulfillment and have guarantees of seriousness, responsibility and quality.
The Group requires that the commercial behavior of its Suppliers is in conformity with all the laws and contractual conditions applicable at international, national and local level as well as with the most important international ethical-social and environmental standards, relative in particular to the protection of health and safety, the fight against corruption, the fight against all forms of discrimination, and the protection of the environment and the ecosystems. Suppliers whose behavior is not in conformity with the legislation currently in force and with the ethical-social and environmental standards are not taken into consideration;

in addition, all the new Suppliers are obliged to sign the Code of Ethics in the contractual phase.
In the selection of Suppliers, the following factors also represent preferential requirements, of different importance according to the class of goods and the volume of purchases:

- Technological innovation, i.e. use of highly advanced low-consumption machinery, technologies compatible with the use of innovative and sustainable materials and techniques (for example, presses fitted for multi-layer printing; lines fitted with a mixed supply of virgin and recycled raw materials, UV printing technologies, with reduced electricity consumption)
- A propositional approach for the purposes of the so-called "4 Rs – Rethink, Reuse, Reduce and Recycle", i.e. constant analysis of the market in the area of raw materials and industrial design for the purpose of:
  a. Reducing weight, with the consequent lower consumption of material and improvement of the design of products, aimed at reducing the volumes and emissions of CO_2
  b. Use of raw materials with high percentages of recycled material or material from renewable or reused sources
  c. Proposal of certified materials or processes (Plastic Second Life PSV, FSC paper and card, etc.)
- Achievement of certifications in the environmental and ethical-social areas (e.g. ECOVADIS, B-CORP, etc.)

To make the selection of Suppliers even more efficient, the suppliers qualification procedure currently includes two main steps, on each first contact (request for proposal) with a new supplier:

- A pre-qualification questionnaire is sent, containing a series of questions of environmental and ethical-social nature, to evaluate, from as early as the first contact, the supplier's approach to these topics
- Once the answers provided by the pre-qualification questionnaire have been assessed, the economic offer is evaluated and, before proceeding with the first purchase order, the filling of a questionnaire of qualification is requested with a series of questions of a technical nature which aim at obtaining in-depth knowledge of the financial position of the individual supplier, the company organization, the certifications held, the current policies and the activities on sustainable development and safety. The Group can start a commercial relationship with the new supplier only after having positively evaluated the answers.

In 2021, commercial relations were started with 757 new Suppliers, all assessed according to ethical-social and environmental criteria.
The goal of this process is to increase the level of knowledge of the commercial partners, including from the point of view of their performances in the ethical-social and environmental areas, with the purpose of implementing projects related to sustainability in partnership with the Suppliers. In the near future, the Group intends to start a process of monitoring the performances of the Suppliers, through the periodic request of official declarations and documentation and through carrying out in situ audits.

GOALS FOR IMPROVEMENT

Goal	Action/project	Sustainability Plan	SDG	Deadline	Status
To improve the selection process of suppliers	Thanks to the collaboration between the Global Purchases Department, the Global Sustainability Department and the Quality Department, the questionnaires of pre-qualification and qualification of suppliers have been revised and supplemented, with the addition of questions on environmental sustainability and the revision of the questions on safety, quality and ethical-social sustainability	2.Create value in the long term through innovation – Manage the supply chain responsibly		December 2021	Accomplished
To develop partnerships with suppliers	Develop partnerships with the manufacturers and/or suppliers to promote the production and use of recycled materials in the development of packaging	2.Create value in the long term through innovation – Manage the supply chain responsibly		December 2023	Under way
To improve the processes of managing suppliers	Adopt a system of managing suppliers that allows the periodic verification of performances (including performances of sustainability) of the subjects in the supply chain, checking significant documentation, and carrying out in situ audits	2.Create value in the long term through innovation – Manage the supply chain responsibly		December 2024	Under way

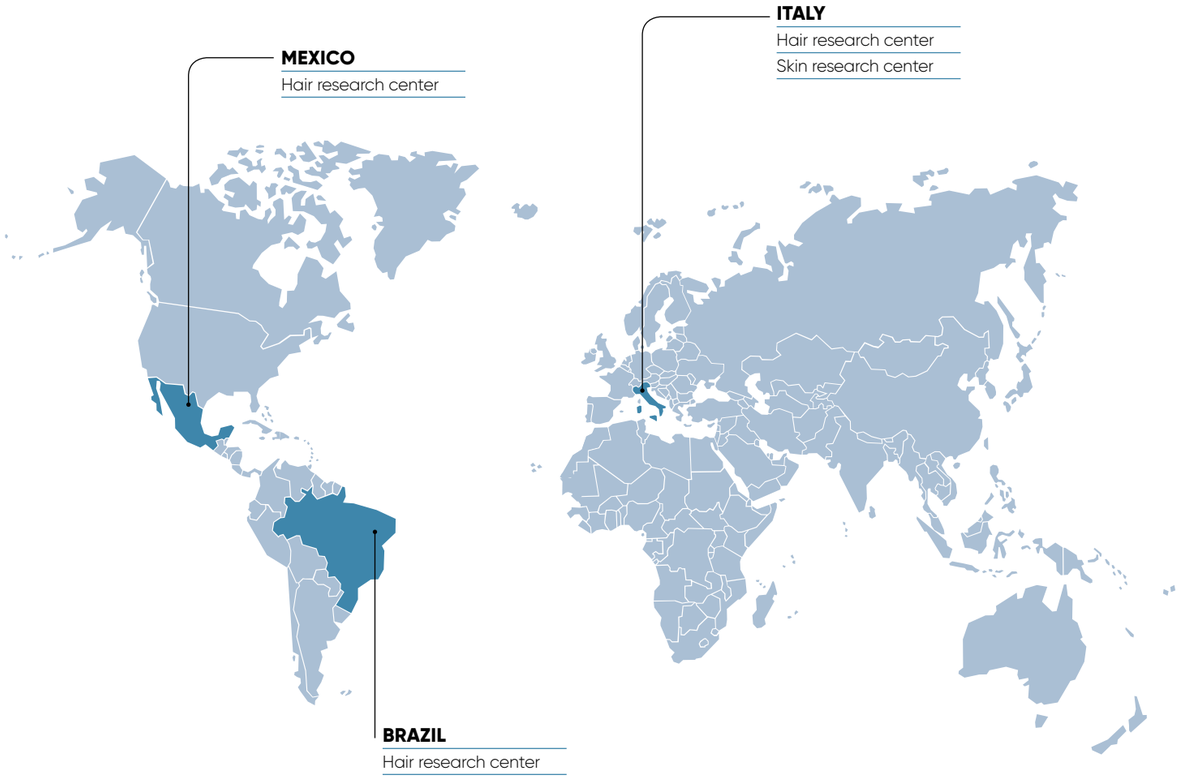
4. INTELLECTUAL CAPITAL

Sustainability Plan

2. To create value in the long term through innovation

RESEARCH AND DEVELOPMENT ACTIVITIES

The goal of Alfaparf Milano is to create innovative products with high standards of quality and which offer high performances. Research and development have always been a distinctive element of the Group and are fundamental to guarantee the growth of the business in the medium and long term. Alfaparf Milano has three Research Centers, in Italy, Mexico and Brazil.



The Private Label Division has always been a powerful driver of growth and improvement for Alfaparf Milano; the satisfaction of Private Label Customers and the search for increasingly innovative, performing and sustainable proposals and solutions contributes to stimulating and reinforcing the process of continuous improvement that characterizes the Group. In the area of research and development, it is important to underline that the world of aesthetic cosmetics presents aspects of greater dynamism than the hair world and therefore requires greater innovation, which leads to a more frequent turnover of the different lines, with increasingly performing products aligned with Consumers' demands and market trends.

INGREDIENTS AND FORMULATIONS

Over the past few years, consumers have started to pay increasing attention to the ingredients of cosmetics and their formulations, developing a growing awareness of the importance of the protection of both their health, the ecosystems and the defense of human rights. There has therefore been a passage from the simple request for "clean", "healthy", "natural", and "organic" products to a demand for products that are sustainable, including from the environmental and ethical-social point of view.

The goal of Alfaparf Milano has been to respond to an increasingly advanced and conscious market, on the one hand with the creation of new and sustainable brands and lines (OLOS, the new sustainable skincare line is an example) and on the other, by gradually introducing elements of sustainability into the brands and lines currently present in the portfolio.

From the point of view of the formulation of the products, over the last two years the Group has paid particular attention to the concept of naturalness. Since 2020, Alfaparf Milano has decided to use exclusively an objective criterion recognized at international level to communicate the naturalness of the product, understood as a percentage of ingredients of natural origin: the Natural Index, calculated according to standard ISO 16128. In 2021 the Group also consolidated its path to implement an attentive and strict monitoring of the ingredients of natural origin and with characteristics of sustainability and certifications (COSMOS, NATRUE, RSPO, etc.). A new database of the characteristics of the raw materials (ingredients) has been created, according to supplier, for all the Alfaparf Milano manufacturing sites. This database is an important instrument to improve the management of the formulation process and to monitor the trends of the purchases of raw materials at Group level, especially in relation to the characteristics of sustainability.

To best manage the flows of information for the protocol of tests and approval of alternative Suppliers of raw materials, the use of a new IT instrument has been introduced that can automatically generate emails to the suppliers, to keep track of the status of the documentation and of the results of the analytical tests.

In 2021, great attention was paid to the biodegradability of the formulas and commercial agreements were signed with Italian manufacturers of biotechnological raw materials and with test laboratories, with the aim of certifying the biodegradability of the formulas.

A large part of the efforts in 2021 was concentrated on developing the new straightening line Keratin Therapy Liss Design. New products were developed, some of which for the straightening treatment in the salon and others for post-treatment use at home. The degree of innovation and satisfaction on the results led to preparing and submitting a patent. Also in 2021, the Group worked on the formulas of bleaching powders with the aim of improving the range, making them more performing and safer.



The most innovative project in 2021 concerned the use of an alkalizer of natural origin in the permanent and semi-permanent color formulas. This technology can be used in both liquid and cream products, and the application was the subject of a patent application in two countries.
In 2021 new analytical methods were also developed for the support of new claims, such as the test on repeated combing, in which the strands of hair are combed 20,000 times to then measure the number of hair fibers that break. This test allows establishing to what extent a cosmetic treatment protects hair from breakage and has allowed to obtain excellent results on the new formulas tested.

PATENTS AND INTELLECTUAL PROPERTY

In 2021, there was a significant increase in research and development projects submitted to patent research analysis and, as a consequence, the human resources dedicated to patents have been increased.
Unlike 2020, in 2021 patent research concerned major projects with many references and it was therefore necessary to use new instruments to manage all the activities more efficiently. It was also opportune to use external support for the management of the high number of patent tests to be carried out.
In 2021, there were ad hoc training courses on how to learn how to use a new database capable of offering new instruments to manage the increasing complexity of the patent studies.
In 2021, four new patents were filed (1 of which in the area of technical products), the same number as in 2019 (only one patent was filed in 2020 due to the pandemic) and two of the four patents filed in 2019 were granted.

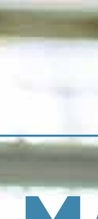


GOALS FOR IMPROVEMENT

Goal	Action/project	Sustainability Plan	SDG	Deadline	Status
To introduce objective criteria to define naturalness in the formulations	Use of the Natural Index according to standard ISO16128	2. Create value in the long term through innovation – Promote research and development activities		December 2021	Accomplished
To improve the management of the formulation process and the monitoring of the purchase of ingredients	Creation of a new database	2. Create value in the long term through innovation – Promote research and development activities		December 2021	Accomplished
To improve the management of the information flows for the protocol of tests and approval of alternative suppliers	Adoption of a new IT instrument	2. Create value in the long term through innovation – Promote research and development activities		December 2021	Accomplished
To certify the biodegradability of the formulas	Carry out internationally recognized tests (e.g. OECD 301)	2. Create value in the long term through innovation – Promote research and development activities		December 2022	Under way
To reinforce support for the performance claims	Develop new instrumental protocols to have efficient tests	2. Create value in the long term through innovation – Promote research and development activities		December 2022	Under way

5. MANUFACTURED CAPITAL

Sustainability Plan
3. Mitigate climate change


LAUNCHES AND MARKETING ACTIVITIES

The corporate strategy is to focus on a product that is performing and of excellent quality, capable of satisfying all the types of clientèle, at the same time trying to minimize environmental impacts and protecting the rights of people throughout the whole production process.
Alfaparf Milano is also constantly committed to responding reactively to the evolutions of the market, providing solutions quickly and efficiently, combining the uniqueness of Made in Italy products with requirements and ideas from all over the world.
As far as the marketing of the Group's products is concerned, great space was given in 2021 to the Digital sector and the e-commerce channels.

HAIRCARE

2021 was a year characterized by numerous initiatives which contributed to confirm a clear, distinctive and important identity, focusing on confirming Alfaparf Milano as a partner in beauty, both for professional Customers and for End Customers.
Alfaparf Milano has always operated so that each person can experiment with beauty and attain well-being and happiness. This is why the new products are all characterized by the offer of affordable services and efficient products to try to make the life of the professionals easier and more pleasant and at the same time, they can help people bring out their personalities.

ALFAPARF MILANO PROFESSIONAL

As far as Alfaparf Milano Professional is concerned, the most important launches concerned professional coloring.
COLOR WEAR: in 2021, the liquid tone-on-tone color COLOR WEAR was launched: an innovative professional coloring, developed thanks to the use of arginine, a 100% natural amino acid, patented by Alfaparf Milano, which allows replacing the commoner chemical alkalizers. COLOR WEAR is a vegan line of products, resulting from the combination of semi-fermented oils of natural origin with nourishing, antioxidant, protective and anti-frizz properties, without ammonia, MEA, PPD, alcohol or silicones.

INVISIBLE ROOT RETOUCH: the INVISIBLE ROOT products are ideal for the temporary touching up of roots until the next visit to the salon. Available in both a spray and in a powder version, this line efficiently and instantaneously covers roots in a second. Its vegan formula is free of fragrance, sulfates, paraffin and mineral oils; it is easy to use and does not leave any residues or stains.

EVOLUTION OF THE COLOR: the color chart of the EVOLUTION OF THE COLOR line, the cutting-edge line for permanent hair coloring, was expanded in 2021 and today can boast more than 125 shades. The introduction of the new shades was also supported by the launch of a specific collection.

SEMI DI LINO: in addition to the color area, great attention was paid in 2021 to the continuous growth of the SEMI DI LINO treatment line, which is becoming a brand to all effects. The evolution towards a more inclusive approach and capable of supporting the freedom of expression of every individual has been confirmed in the success of the new lines dedicated to the treatment of colored hair. SEMI DI LINO BLONDE and SEMI DI LINO BRUNETTE are two treatment lines that can prolong the intensity and shine of blondes and brunettes, fighting the effects of blue light and neutralizing unwanted tones, while nourishing and moisturizing the hair.

YELLOW PROFESSIONAL

In 2021 the Yellow Professional brand was also enriched by a number of new products. The color chart was completed with new shades which support the hairdresser in personalizing the color service in the salon, thanks to 79 shades allowing the maximum expression of the personality, thanks to an exclusive vegan formula with Aloetrix (aloe vera, wheat protein and UV filter), crystallized micro pigments and argan oil.
YELLOW SCALP has also been launched: this is a new and complete line of treatment for the care of the scalp. Nowadays, the scalp undergoes increasing aggression from the external environment or from internal imbalances, therefore it is fundamental to take care of it. YELLOW SCALP rebalances the skin and gives vitality to the hair thanks to the extract of Rambutan, a super fruit originally from Vietnam, with anti-pollution, energizing and moisturizing properties. The line, as well as being 100% vegan, is also sustainable as the fruit is picked by hand with farming practices that respect the ecosystem and the proceeds are used to promote the local economy and the training of workers.





SKINCARE

OLOS

2021 was the year of the relaunch of the OLOS brand which has become the sustainable, natural and Italian skincare brand of the Alfaparf Milano Group. OLOS has been completely renewed from a natural and sustainable point of view, starting from its positioning, the formulas and the packaging. OLOS cosmetics seek well-being of the skin, they are attentive to the environment and their impact on the planet, offering inner and outer balance.
The values that accompany OLOS in every one of its decisions are:

- **The Italian origin.** Italy is our home, our productive and creative heart, our inspiring cradle where the science of extracts and the art of cosmetics are investigated.
- **Safety.** We create formulations that are safe, clean and dermatologically tested.
- **Effective.** We offer real results for the skin, with formulations approved and tested by the expert hands of our professional beauticians, who have been working with us for over 30 years.
- **Sustainability.** We consciously choose every aspect of the formulations, of the packaging, of production and of distribution.
- **Holistic beauty.** We offer the skin personalized and complete answers to reach complete, authentic and positive beauty and well-being.

Naturalness and sustainability are two key words which describe the soul of OLOS, the formulations of which have been conceived according to 6 fundamental elements:

- **Choice of a transversal, innovative, efficient, safe and sustainable ingredient:** all the formulas contain Hyper-Fermented Aloe, introduced by OLOS for the first time and as a cosmetic exclusive for the Italian market. The Aloe selected for OLOS, certified organic, undergoes two processes of fermentation and one of enzymatic bioliquefaction, thus becoming more effective at the level of moisturization and antioxidant protection compared to standard Aloe.
- **Choice of ingredients extracted sustainably:** thanks to processes with a low environmental impact, from responsible agriculture and fair trade, to protect the environment, protect biodiversity and support local communities.
- **Natural formulation:** percentage of naturalness of each formula is declared and certified according to standard ISO:16128.
- **Free-from formulation stated:** each formula has been developed and made without ingredients of animal origin, dyes, parabens, paraffins, silicones, petroleum jelly, mineral oils, PEG, ethylic alcohol, EDTA, TEA, BHA, BHT, propylenic glycol, or formaldehyde releasers.
- **Guaranteed and natural sensory appeal:** thanks to the use of fragrances of 100% natural certified origin.
- **Safe effectiveness:** each formula and the cosmetic actions they claim are tested by an independent research laboratory through clinical and instrumental evaluations.

In addition to the formulation, great attention has also been paid to the packaging of the OLOS cosmetics which is 100% recyclable and made up of at least 50% of recycled raw material. In particular, jars and bottles are made from 90% recycled glass and the inner lids, dispensers and caps are made from 100% recycled plastic; plastic bottles and tubes have 50% of recycled plastic and boxes, interiors and labels are made from 100% recycled FSC paper. Non-essential packaging has been eliminated and the paper leaflets have been replaced by digital ones. In addition, FSC certified packaging is also used for shipment and transport.
The path of evolution of OLOS will also continue in 2022, with important news in the body world as well and a complete relaunch in the professional world, with sustainable, natural and customizable face and body treatments.



DIBI MILANO

FACIAL CARE: In 2021, the DIBI Milano brand also enriched and refined its range of products for facial care, focusing on lines with the best performances. This led to the extension lines on the HYDRA PERFECTION line, the moisturizing and nourishing line, and FILLER CODE with a filling and replenishing action, with specific treatments for the eye contour, and the launch of eye and lip patches of cellulose that adhere perfectly, ideal for eyes marked by bags, dark circles and wrinkles.

BODY CARE: The body range is also extended, focusing on the self-care world, also driven by the historical period and the significant market trends, with innovative and high impact proposals, such as MISSION CELL DREN, the home anti-cellulite bandage, ideal to reshape the silhouette thanks to a shock treatment that fights cellulite and excess liquids.

BECOS

The rebranding of Becos continues with CLEANSING STAR, the line of products dedicated to the world of peeling and facial cleansing which concentrates on the three rules of facial care – cleanse, renew and tone - to obtain purified skin, giving new freshness and vitality.
AGE PRO EVOLUTION, the facial treatment with a global anti-age action that fights damage caused by photo- and chrono-ageing, at the same time fighting the signs of ageing linked to the use of digital devices, was also relaunched in 2021.
As far as the new products for body care and treatment are concerned, in 2021 the focus was on toning in a more modern way, associating an anti-age and anti-gravity action thanks to the specific salon treatments and the self-care products to use at home.

TEN SCIENCE

TEN Science is reinforced in the facial line with two strategic launches: COLLAGE SUPREME, the restructuring anti-age product which thanks to an extraordinary pro-collagen replenishing action, gives a “new skin” effect, and CICA LIFE, the lifting line that repairs the skin barrier of the face, which also gives evenness to the complexion.
In the body sector, 2021 saw the relaunch of CELL STRIKE, a complete line, to associate with the salon treatment, to fight the imperfections of cellulite and fluid retention, thanks to formulas with scientifically boosted active ingredients of natural origin.

SOLARIUM

In 2021 Solarium brought out two new products, the SPF 30 sun cream with a tanning accelerator and an after-sun with aloe vera and tan extender, which intensify and prolong the tan, with a major promotional activity thanks to the Solarium KITS which combine two products, one protective and an after-sun, to cover all the needs of the consumer from the texture to the phototype and level of protection.

DECODERM

The perfect union between skincare and make-up relaunches the eye and lip products EYE REVOLUTION and LIP REVOLUTION, renewing the basic range with innovative and vegan formulas which combine sensory appeal and performance, of high quality, with colors in line with the market trends but also suitable for use all year round.

TECH

APG MEDICAL

APG MEDICAL came into being in 2021. It is the medical division of the Alfaparf Milano Group dedicated to selling latest-generation medical devices made in Italy. The brand's mission is to improve the work of doctors by providing appliances of quality that perfectly meet their needs, in order to improve the wellbeing of their patients.

APG TECH

DERMOGEN: DERMOGEN, the perfect synergy of micro-dermabrasion and microcurrents to exalt the performance of all the professional cosmetic treatments, treating a wide variety of imperfections of the face and body. Micro-dermabrasion is a peeling and smoothing action on the skin of the face and body, the effect of which is to remove impurities and dead cells. The microcurrents modify the permeability of the stratum corneum and allow the active ingredients to pass through the skin's barrier through channels of temporary access, the electropores.

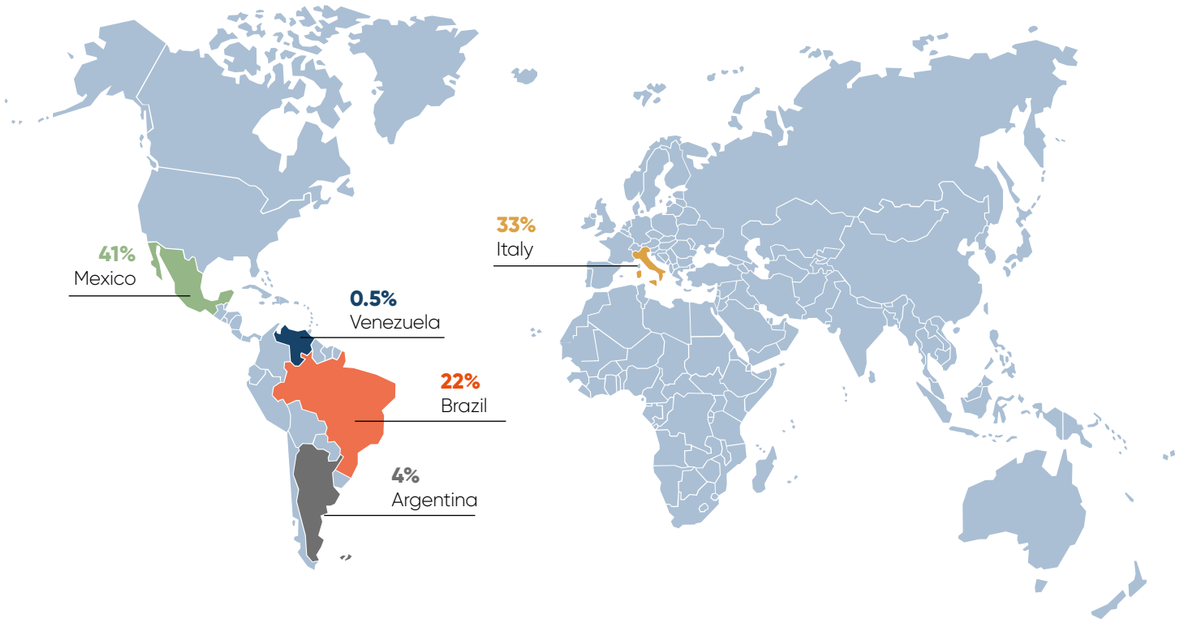
SHAPEDEFINE: The multi-functional body appliance for shaping the silhouette, that exploits the synergic action of three different technologies for the body: radiofrequency, endomassage and vacuum. Together with the technological innovation, a new stye of communication for the APG TECH technologies comes into being: a unique, appealing and characterizing style that has renewed not only the materials of the point of sale, but digital communication as well.



PRODUCTION

In relation to the number of pieces produced, in 2021 a significant increase is recorded compared to 2020 (+21%), due to the resumption of production which, in 2020, underwent a significant slowdown due to the pandemic. The Mexican plant produced 41% of the total production of the Group (products with the Alfaparf Milano brand and Private Label), followed by the Italian plant (33%) and the Brazilian one (33%).

Pieces produced in 2021 divided by production site



As far as the activities linked to production are concerned, the Group is constantly committed to looking for and implementing process innovations. It is from this perspective that in 2021, at the Italian plant, an important project was developed that led to the installation of a new line of packaging for liquids, developing ad hoc packaging for one of the leading products of the Group, capable of guaranteeing an excellent performance at the industrial level (in terms of hourly productivity) and efficiency in containing and protecting the product during transport. The collaboration with the constructor of the machine and the supplier of the packaging was fundamental, to guarantee reliability of the packaging to protect and guarantee that the product remained intact, categorized by the particular shape of the bottle and by the delicate graphic decoration.



INGREDIENTS AND PACKAGING

Alfaparf Milano manages the whole production cycle of its lines internally from the planning activity, research and development to production and selling. This aspect, as well as ensuring full control from the qualitative point of view, is a strong point as far as reaching the goals of product sustainability is concerned.
The corporate strategy is to focus on a product that is both performing and of excellent quality, capable of satisfying all the types of Customers, and at the same time trying to minimize the environmental impacts linked to the production process and to the product, while protecting the rights of people and of communities.
In continuity with previous years, particular attention was also paid in 2021 to the aspects of sustainability linked to packaging, to the traceability of the materials used in the production process and to the naturalness of the formulas.

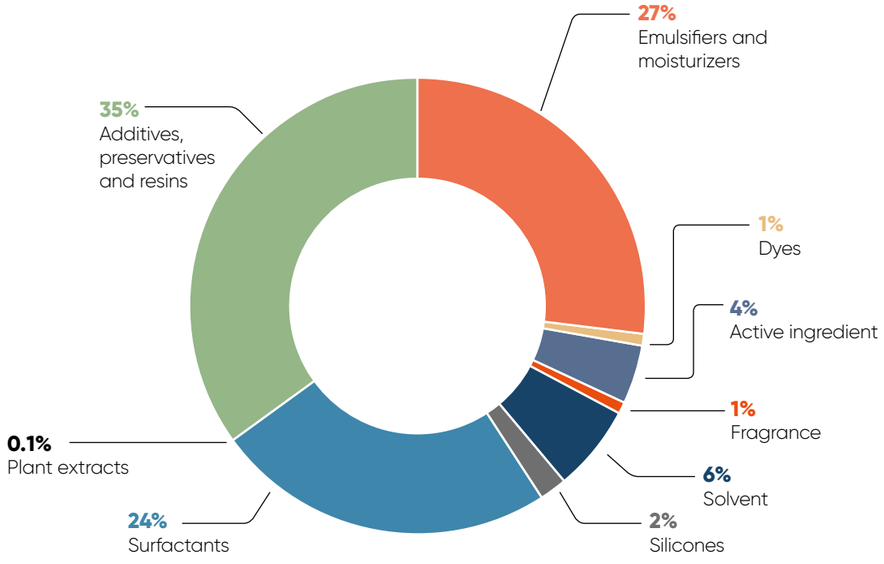
INGREDIENTS

The Alfaparf Milano approach to the activities of search and selection of the ingredients for the hair and skin formulations is characterized by an in-depth knowledge of these, in order to ensure for Customers products of quality and with a high standard of safety. It is precisely the wish to offer the market performing and safe products that leads the Group to carry out chemical-physical tests on the ingredients, to evaluate their compositions and the qualitative standards to the best.
As far as the classification of the raw materials used in the production cycle is concerned, there is a large number of fragrances (perfumes) and active ingredients, categories of ingredients that are considered fundamental for the positioning and the recognition of the products/brands on the market. This entails a natural increase in the references belonging to these types, in a quantity proportional to the development of the brand and the Private Label business, forming an indicator of development of new references.
Thanks to the implementation – by the Global R&D Department – of the new database for the collection of the information and characteristics of the ingredients purchased, in 2021 it was possible to manage and monitor more efficiently and completely the trend of purchases, manage all the test protocols and approval of alternative Suppliers of raw materials, guaranteeing the continuity of procurement and improving the monitoring of the status of the documentation and of the results of the analytical tests.

Ingredients purchased, divided by macro-category
(ton)

	2021 TOTAL	Ingredients from non-renewable sources	Ingredients from renewable sources	Ingredients from certified sources (Natrue, RSPO, Cosmos)	2020 TOTAL	Ingredients from non-renewable sources	Ingredients from renewable sources	Ingredients from certified sources (Natrue, RSPO, Cosmos)
Dyes	**95.04**	94.58	0.46	0.00	**62.35**	62.17	0.18	0.00
Essence/essential oil	**0.00**	0.00	0.00	0.00	**0.36**	0.13	0.23	0.00
Active ingredient	**343.71**	279.48	64.23	21.69	**104.19**	78.56	25.63	3.12
Fragrance	**100.23**	99.70	0.53	7.67	**89.51**	89.51	0.00	0.00
Solvent	**533.86**	421.59	112.27	60.14	**416.81**	399.05	17.76	0.83
Alcohol	**0.00**	0.00	0.00	0.00	**200.79**	105.03	95.76	0.00
Plant extracts	**4.37**	3.98	0.39	0.12	**3.82**	3.59	0.23	0.04
Silicones	**159.18**	159.18	0.00	0.00	**124.69**	124.69	0.00	0.00
Surfactants	**1,966.48**	1,056.61	909.87	947.79	1,617.11	1,006.57	610.54	245.65
Additives, preservatives, resins	**2,935.17**	2,115.01	820.16	48.36	**2,908.93**	1,431.46	1,477.47	27.06
Emulsifiers and moisturizers	**2,227.64**	789.43	1,438.21	383.18	**2,004.80**	1,242.47	762,33	589.00
Other	**0.00**	0.00	0.00	0.00	**8.04**	8.04	0.00	0.00
TOTAL	**8,365.67**	**5,019.55**	**3,346.12**	**1,468.95**	**7,541.40**	**4,551,27**	**2,990.13**	**865.70**

2021 ingredients, by macro-category



In 2021, a total of 8,365.67 tons of ingredients were purchased, with an increase of 11% compared to 2020, essentially due to the increased productive activity after the pandemic.
Thanks to the increasing attention paid to the definition of the formulas and the constant commitment to looking for and selecting the best ingredients, a good result is also recorded in 2021 relative to the ingredients of natural origin, which represent 40% of the total ingredients purchased for the production of Alfaparf Milano and Private Label products, in line with 2020. On the front of certified ingredients, in 2021 they represent 18% of the total and 40% of the ingredients of renewable origin, showing a clear growth compared to 2020, when the certified ingredients were 11% of the total and 29% of the ingredients of renewable origin.
In particular, for emulsifiers and moisturizers, additives, preservatives and surfactants, which represent 85% of the ingredients purchased in 2021, the percentage of raw materials from renewable sources is equal to 44% (this percentage reaches 65% for the emulsifiers and moisturizers). As far as certified ingredients are concerned, the surfactants represent the highest percentage of raw materials from renewable sources out of the total of raw materials purchased as a whole in 2021, reaching 48%.

PACKAGING

All the materials that make up the packaging of Alfaparf Milano products come within the macro-categories defined in the environmental area at international level and are considered recyclable at the end of their life, according to the laws on environmental recycling. Furthermore, all the packaging in contact with the product is in conformity with the regulations on cosmetics and the laws in force in the individual countries where the products are sold.

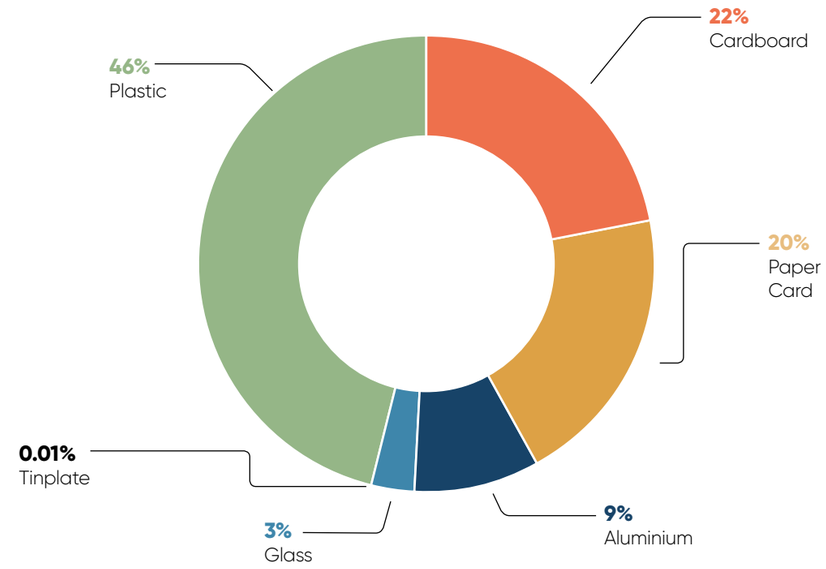
A total of 7,314.46 tons of materials for packaging was purchased in 2021, with an increase of 7% compared to 2020, mainly due to the increased production activities after the pandemic.

Materials for packaging purchased, divided by macro-category and origin[9]
(ton)

	2021 TOTAL	Materials from non-renewable sources	Materials from renewable sources	Materials from from certified sources (FSC)	2020 TOTAL	Materials from non-renewable sources	Materials from renewable sources	Materials from from certified sources (FSC)
Plastic	**3,401.86**	3,379.57	22.29	0	**3,014.57**	3,004.1	10.47	0
Glass	**186.59**	172	14.59	0	**148.9**	134.1	14.8	0
Aluminum	**637.4**	453.27	184.13	0	**570.1**	535.62	34.48	0
Paper – Card	**1,474.12**	888.5	585.62	884.84	**1,346.53**	777.3	569.23	386.83
Cardboard	**1,615.97**	820.85	795.12	731.48	**1,739.23**	585.05	1,154.18	0
Tinplate	**0.91**	0.91	0	0	**0**	0	0	0
TOTAL	**7,316.85**	**5,715.1**	**1,601,75**	**1616.32**	**6,819.34**	**5,036.17**	**1,783.17**	**386.83**

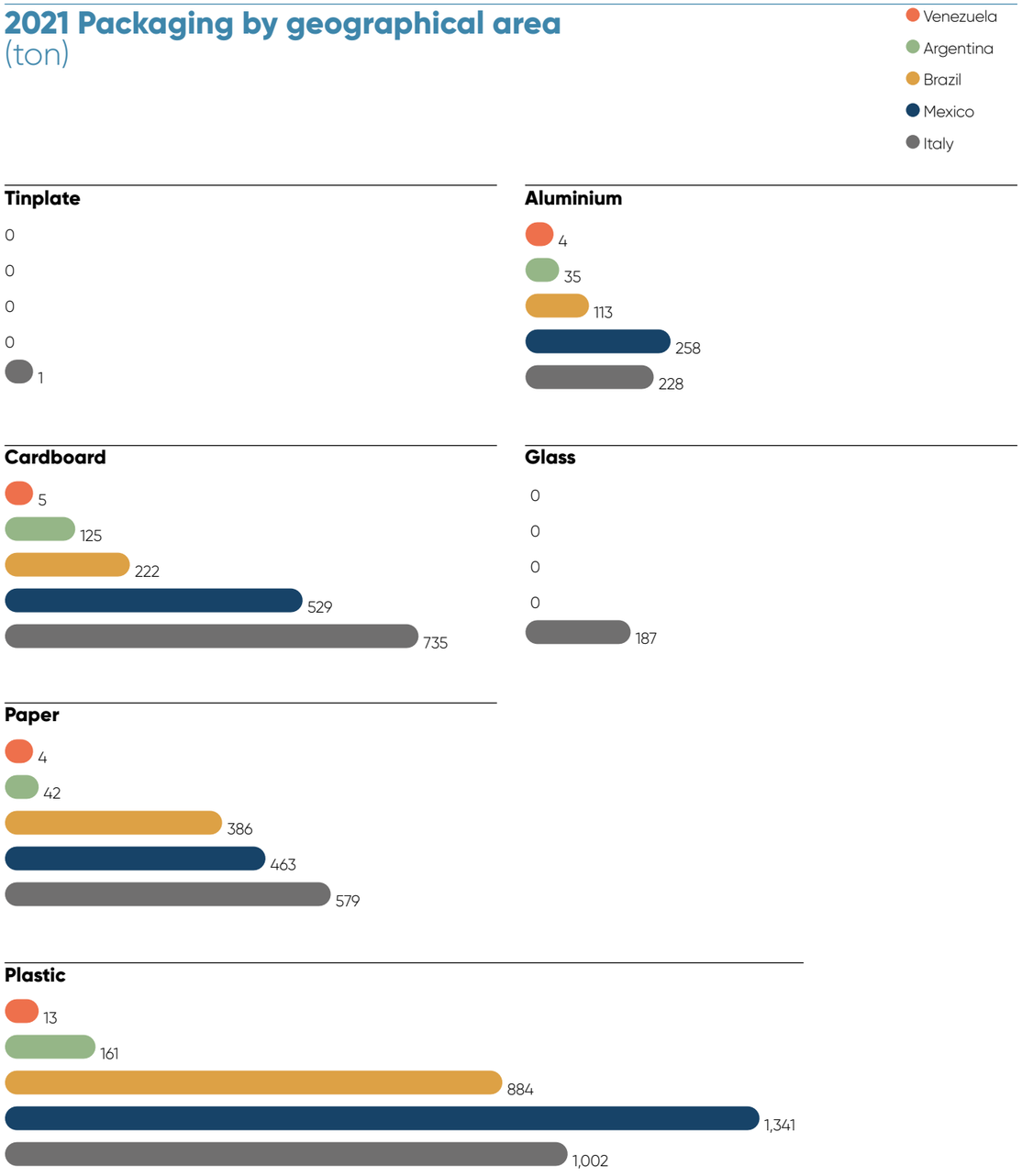
22% of the materials purchased as a whole in 2021 come from renewable sources, with a decrease compared to 2020, where the percentage reached 26%. In 2021, all the materials from renewable sources are also certified; this result shows a clear improvement compared to 2020 where only 22% of the materials from renewable sources were also certified.
Plastic, paper/card and cardboard represent 88% of the packaging purchased in 2021 (respectively 46% plastic and 42% paper/card and cardboard), followed by aluminum, mainly used for the tubes of color, and glass.

2021 materials for packaging, divided by macro-category



[9] Primary and secondary packaging, for the packaging of the products and the packaging used for transport. The calculation excludes the articles considered as accessories or complementary elements, such as spatulas to use with creams, beauty masks, or pouches. The wooden pallets used several times as a means for the exchange of the finished products, both between the production plants and between the warehouses and the end customers, have also been excluded from the calculation. Considering the diversity of shapes, weights, volumes and types, an average weight has been calculated, then classified depending on the material used (plastic, glass, aluminum, paper/card and corrugated cardboard). For packaging consisting of compound materials which cannot be sorted for recycling by the consumer, their allocation in the category they belong to has considered the greatest percentage of presence, considering the weight of the article. As far as packaging made up of several materials that the end consumer can sort for recycling, the quantities calculated have been attributed to two or more categories, depending on the material.

2021 Packaging by geographical area
(ton)



Coherently with its strategy of sustainability, Alfaparf Milano has decided to commit itself to reducing the environmental impact related to packaging, especially as far as the emissions of CO_2 are concerned. In 2021, this goal was pursued by acting in four fundamental directions:

- **Elimination of unnecessary packaging.** Through the Evolution of the Green project, all the explanatory leaflets, for example, have been eliminated from the Alfaparf Milano brand tubes of color and replaced by a QR code.
- **Reduction of the weight of the packaging and, in some cases, replacement of the packaging.** The two most important projects implemented in 2021 concern the canister of Bleaching Powder of the Alfaparf Milano Professional and Yellow Professional brands, which cannot be recycled (multilayer paper + plastic + aluminum) and has been replaced by a single-material stand-up pouch which can be sorted for recycling, with a reduction of the use of materials for packaging and a reduction in the emissions of CO_2). The second project concerns the HDPE plastic bottle in the backbar line of Yellow Professional, which has been replaced by a single-material stand-up pouch, which has a lower weight and uses 50% of recycled plastic.
- **Use of recycled and recyclable materials.** The most important project concerns the launch of the OLOS skin line, which uses 100% recyclable packaging, made up of at least 50% of recycled raw material. In particular, 90% of jars and bottles made from recycled glass, 100% recycled plastic caps; bottles and tubes in plastic with 50% recycled plastic and boxes, interiors and labels made from 100% recycled FSC paper. Another significant project concerns the Alfaparf Milano brand color kits, where the leaflets have been made from 100% recycled paper.
- **Compensation of the emissions of CO_2 of the packaging, where it is not possible to reduce it further.** OLOS is the first example of this new approach adopted by the Group: the emissions of CO_2 associated with the production of the packaging materials have been compensated.

Recycled packaging materials, divided by macro-category
(ton)

	2021 Total	Recycled Raw materials	Percentage of recycled raw materials	2020 Total	Recycled raw materials	Percentage of recycled raw materials
Plastic	**3,401.9**	22.3	1,0%	**3,014.6**	10.5	0%
Glass	**186.6**	14.6	8,0%	**148.9**	0.0	0%
Aluminum	**637.4**	184.1	29,0%	**570.1**	34.5	6%
Paper – Card	**1,474.1**	195.4	13,0%	**1,346.5**	200.2	15%
Cardboard	**1,6**	570.9	35,0%	**1,739.2**	680.9	39%
Tinplate	**0.9**	0.0	0%	**0.0**	0.0	0%
TOTAL	**7,316.9**	**987.2**	**13.5%**	**6,819.3**	**926.0**	**13.6%**

Specifically, as far as the purchase of recycled materials for packaging is concerned, out of the total of materials purchased, in 2021 the percentage remained almost unchanged compared to 2020, standing at 13.50%. During 2021, unfortunately there were structural shortages of some categories of raw materials for packaging; in the first place, paper (and derivatives), both virgin and recycled, plastics, especially those made from recycled raw material (r-PET, r-PP, r-PE, r-LDPE) and recycled aluminum. To deal with this issue and to ensure economic sustainability, the logistics of the Group and the pursuit of the goals linked to the use of recycled raw material in the packaging, long-term contracts were implemented with the suppliers, in order to guarantee full coverage of the needs of all the recycled raw materials used.
2021 recorded a significant increase in the use of second life raw material in place of the virgin raw material concerning aluminum, which went from 6% in 2020 to 29% in 2021. This result is mainly due to the implementation of the Evolution of the Green project, thanks to which all the tubes of color made in the Italian plant started to be made from 100% recycled aluminum.
The use of recycled glass was also introduced in 2021, especially thanks to the OLOS skin line, which uses jars and bottles, 90% of which are made from recycled glass.

PROMOTIONAL AND TECHNICAL ITEMS

The Alfaparf Milano Group also adopts conscious and responsible choices in looking for promotional and technical items for professional and non-professional Customers, trying to reduce as far as possible the use of virgin plastic, avoiding excessive packaging and packaging which is not functional and by developing lasting display units using natural or recycled materials.
In the communication and display materials, the use of Plexiglas and 100% recycled and certified polystyrene is preferred, as well as the printing of a QR-CODE for the visibility of the directions for use of the products and for the information necessary for the end consumer, thus avoiding the use of paper leaflets.
For the OLOS line, display units made from natural poplar wood painted with white water-based paint have been used, avoiding the use of more than 18,000 kilos of plastic. Regarding the gadgets that accompany the beauty routines of the Alfaparf Milano brand products, the trend is to choose accessories that are functional but, at the same time, attentive to the environment, thanks to the use of recycled plastic, or the replacement of disposable accessories by a reusable version. This is the case of the washable and reusable bamboo make-up remover pads, an eco-friendly alternative to remove make-up in the daily facial cleansing routine.
The Group's commitment is also expressed in the choice of certified partners for the supply of materials and accessories provided to its hairdressers and beauticians. For the production of toweling for the furnishing of the OLOS brand booth and the towels of the Alfaparf Milano Professional hairdressers, an Oeko-Tex Standard 100 certified supplier has been selected. This certification is synonymous with guarantee in toxicological terms on the finished product and on the finishing cycles. In addition to the controlled, certified and protected environmental impact, there is also the absence of harmful products, guaranteed by the necessary REACH certification/protocol, which is a necessary condition for the drycleaners that intend to obtain the Oeko-Tex Standard 100 certification.

PRODUCT SAFETY AND CONFORMITY

The system of product design and development adopted by Alfaparf Milano is aimed at ensuring the highest standard of quality and safety for its Customers and transparency in carrying out the various phases of processing, both of which are essential requisites to keep and reinforce the competitive position and the reputation of the brands of the Group on the market.
All the categories of goods developed and sold under the Alfaparf Milano trademark, as well as the products for Private Label Customers, undergo, before they are put on to the market, an evaluation of the potential impacts on health and safety, to ensure the greatest safety in their use, through the specific presence of warnings and directions for use of the individual product. In order to further consolidate this procedure, the professional figure of the Safety Evaluator was added to the Italian plant in 2021. In addition, a new database was adopted to prepare the Safety Data Sheets (SDS) which allows preparing the SDSs in various languages, according to the European, Australian and American model.
The safety characteristics of the product are then guaranteed, both by the respect of the European regulations on the use of raw materials and by checking external and independent studies, specialized in cosmetic product safety (toxicology) and the formulas of the product to be made. In particular, under the European Regulation, there are two main tests to ensure the safety of a cosmetic product:
• patch test (skin compatibility test);
• challenge test (test of resistance of the preservation system).

Selling its products on markets other than the European one, the Regulatory Office also works so that the legislative requirements of foreign markets are respected and met: in 2021, Alfaparf Milano worked intensely to meet all the requirements imposed by the new Chinese Cosmetics Regulation (CSAR), which came into force with new rules in January 2021.
A great effort was also made in 2021 to find the regulatory information on packaging required for preparing the Product Information File (PIF); this is because cosmetic packaging does not have a specific regulation which establishes the requisites, often entailing ambiguities in the answers from suppliers and difficulties in finding the information relevant to the world of cosmetics.
Thanks to the new activities introduced and the consolidated practices, in 2021 no cases were ascertained that entailed a penalty or warning, relative to the impacts on the health and safety of the products and services offered.
The only letter of complaint in 2021 concerns the marketing activities and specifically the name of the Time of Ritual line by DIBI Milano, which has low rotations. Following the report, the discontinuation was accelerated in favor of the new Body Vitality line. The affair came to a positive conclusion, without consequences at the level of the commercial image.



GOALS FOR IMPROVEMENT

Goal	Action/project	Sustainability Plan	SDG	Deadline	Status
To introduce the use of recycled glass	Use glasses and jars with 90% made from recycled glass for the OLOS skin line	3. Mitigate climate change – Measure, reduce and compensate the emissions of CO_2 of the products – Evaluate, monitor and mitigate the environmental impacts		July2021	Accomplished
To increase the use of recycled aluminum	Use 100% recycled aluminum for the tubes of color with the Alfaparf Milano trademark (Evolution of the Green Project) made in the Italian plant	3. Mitigate climate change - Measure, reduce and compensate the emissions of CO_2 of the products – Evaluate, monitor and mitigate the environmental impacts		December 2021	Accomplished
To increase the use of certified and/or recycled paper and cardboard	Introduce the use of FSC certified paper for flat printed articles in the Italian plant	3. Mitigate climate change - Measure, reduce and compensate the emissions of CO_2 of the products – Evaluate, monitor and mitigate the environmental impacts		December 2021	Accomplished
To introduce the use of sustainable technical materials	Produce and distribute to the beauticians who use the OLOS brand tunics made from Global Recycled Standard and Organic Content Standard certified 100% Organic and recycled Cotton	3. Mitigate climate change -Evaluate, monitor and mitigate environmental impacts		June 2022	Accomplished
To increase the use of certified and/or recycled paper and cardboard	Replace, for the Semi di Lino line, the boxes made from virgin paper by boxes made from 100% recycled paper	3. Mitigate climate change		December 2022	Under way
To increase the use of recycled glass	Introduce the use of recycled glass (minimum percentage 30%) for the Semi di Lino cristalli sublime line	3. Mitigate climate change - Measure, reduce and compensate the emissions of CO_2 of the products – Evaluate, monitor and mitigate the environmental impacts		December 2022	Under way
To reduce metallization	Eliminate metallization (Zero metal project) from the closures of the Semi di lino bottles and from the caps of the Luxury Skin jars, with a reduction of the emissions of CO_2	3. Mitigate climate change – Evaluate, monitor and mitigate environmental impacts		December 2022	Under way
To increase the use of sustainable technical materials	Supply the hairdressers of the Alfaparf Milano Professional salons with a dosing bottle for the color services made from 100% recycled and recyclable plastic, which will avoid the use of about 1,000 kilos of virgin plastic. Supply professional customers with technical instruments for the color service, such as bowls, brushes, color aprons and capes, made from recycled plastic that can be sorted for recycling.	3. Mitigate climate change – Evaluate, monitor and mitigate environmental impacts		December 2022	Under way
To reduce the weight of the packaging	Lightweight shampoo bottles in the Il Salone Milano retail line: 10g/pc for over half a million pieces; the caps are also lightweight, made from at least 60% of recycled plastic	3. Mitigate climate change -Measure, reduce and compensate the emissions of CO_2 of the products – Evaluate, monitor and mitigate the environmental impacts		December 2022	Under way
To increase the use of sustainable technical materials	Supply the hairdressers of the Alfaparf Milano Professional salons with a dosing bottle for the color services and shaping services made from 100% recycled and recyclable plastic, which will avoid the use of about 1,000 kilos of virgin plastic. Supply the professional customers with technical instruments for the color service such as bowls, brushes, color aprons and capes, made from recycled plastic that can be sorted for recycling	3. Mitigate climate change - Evaluate, monitor and mitigate environmental impacts		December 2022	Under way
To increase the compensation of emissions of CO_2 related to packaging	Launch a new hair line with emissions of CO_2 related to the packaging materials compensated.	3. Mitigate climate change – Measure, reduce and compensate the emissions of CO_2 of the products		December 2022	Under way
To increase the use of recycled plastic	Acquisition, through the collaboration with the manufacturers and suppliers of the PSV-Plastic Second Life certification for the main primary packaging (bottles, jars, caps) in order to guarantee the identification, the traceability and the percentage content of recycled plastics from post-consumption or from pre-consumption waste or from their mixtures of the production of packaging. Specifically, the PSV logo will certify that the packaging which is the subject of certification will be made with at least 30% of polymers from recycled waste.	3. Mitigate climate change – Measure, reduce and compensate the emissions of CO_2 of the products – Evaluate, monitor and mitigate environmental impacts		December 2024	Under way

6. HUMAN CAPITAL

Sustainability Plan

4. Look after collaborators, customers and local communities, promote inclusion and foster empowerment

PEOPLE

People are, for Alfaparf Milano, the key factor to guarantee the creation of shared value in the long term. It is thanks to the dedication and professionalism of each Collaborator that the corporate goals can be reached. This is why the Group protects and promotes their value and works to improve and increase the capital of skills held by each Collaborator, to develop the professional skills of each one to the advantage of the company and, more in general, of all the stakeholders.
The "growth of People" is one of the fundamental values of the Group, and the management of the personnel is inspired by principles of correctness and impartiality, avoiding favoritism or discrimination, in the respect of the abilities and skills of each person.
Honesty, professionalism, seriousness and knowledge are the characteristics required by Alfaparf Milano of its Employees. In addition, as ethics, sustainability and responsibility represent a primary interest for Alfaparf Milano, the Employees are asked to act in the respect of the values and principles shown in the Code of Ethics and in the corporate protocols.

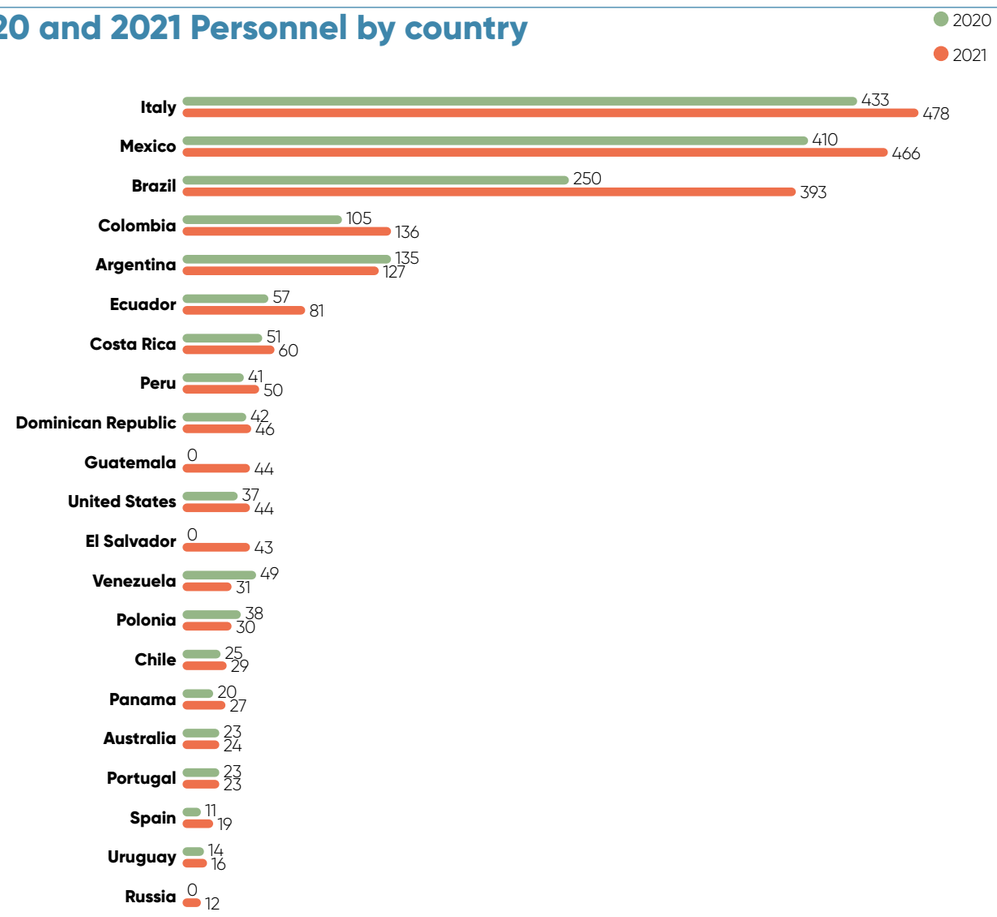
Employees by type of contract

	2021			2020		
	Women	Men	Total	Women	Men	Total
Open-ended	1,045	1,012	**2,057**	832	805	**1,637**
Fixed term	80	42	**122**	72	55	**177**
TOTAL	**1,125**	**1,054**	**2,179**	**904**	**860**	**1,764**
Full-time	1,112	1,054	**2,166**	886	860	**1,746**
Part-time	13	-	**13**	18	-	**18**
TOTAL	**1,125**	**1,054**	**2,179**	**904**	**860**	**1,764**

On 31 December 2021, Alfaparf Milano had 2,179 Employees, of whom 69% were represented by personnel employed in the subsidiaries in Italy, Argentina, Brazil, Mexico and Venezuela. The remaining 13%, on the other hand, were employed in the commercial subsidiaries in Spain, Portugal, Poland, Russia, Chile, the Dominican Republic, Colombia, Peru, Guatemala, El Salvador, Ecuador, Uruguay, Panama, Costa Rica, Australia and the United States. Compared to 2020, the personnel increased by 24%[10].

[10] The increase in the personnel is influenced both by the expansion of the scope of reporting and by the recovery after the pandemic.

2020 and 2021 Personnel by country



More than 94% of the personnel are hired with an open-ended contract (in 2020 this percentage was 93%). Almost all the Employees have a full-time contract, with less than 1% (exclusively women) hired with a part-time contract, in line with the trend of recent years.
All the Employees of the Group are hired with a legal employment contract, in the full respect of the legislation in force in the different countries and 67% of them are covered by a National Collective Contract.[11]

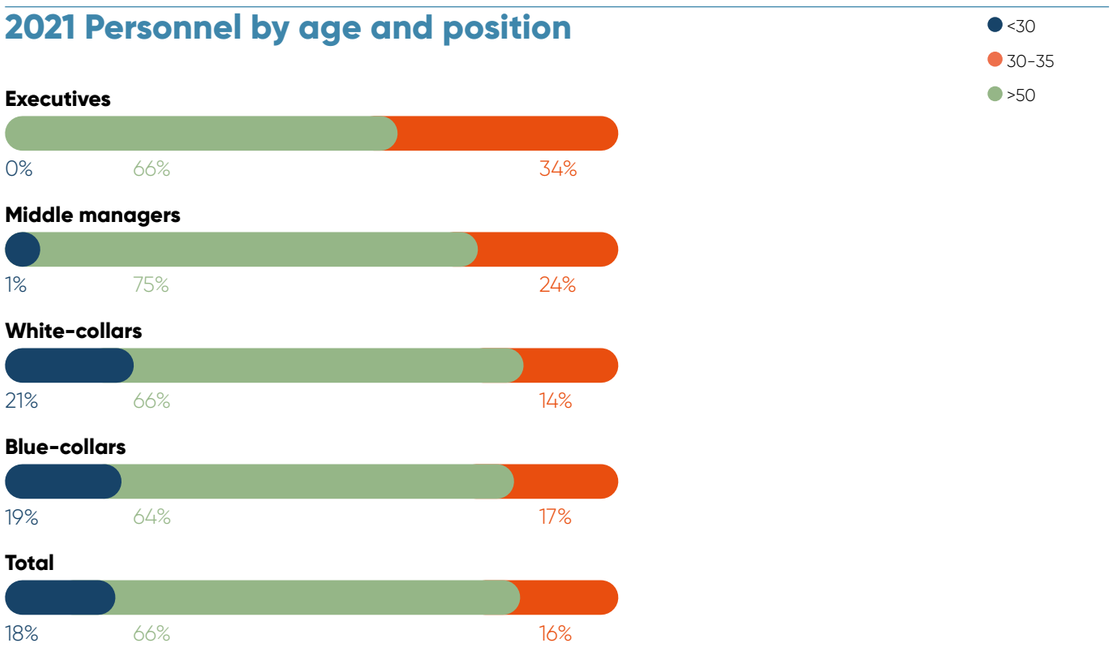
[11] National collective bargaining is not present in all the countries where there are the Group's subsidiaries.

Employees by age and position

	2021				2020			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	0	41	21	**62**	0	41	19	**60**
Middle managers	2	127	41	**170**	3	111	41	**155**
White-collars	300	955	201	**1,456**	195	744	167	**1,106**
Blue-collars	95	313	83	**491**	70	286	87	**443**
TOTAL	**397**	**1,436**	**346**	**2,179**	**268**	**1,182**	**314**	**1,764**
PERCENTAGE	**18%**	**66%**	**16%**	**100%**	**15%**	**67%**	**18%**	**100%**

As far as the composition of the personnel by position is concerned, about 67% of the labor force fall into the category of white-collars, followed by the category of blue-collars, who represent about 23% of the Group's Employees. Middle managers account for 8% of the total of the labor force and the executives for about 3%.

2021 Personnel by age and position



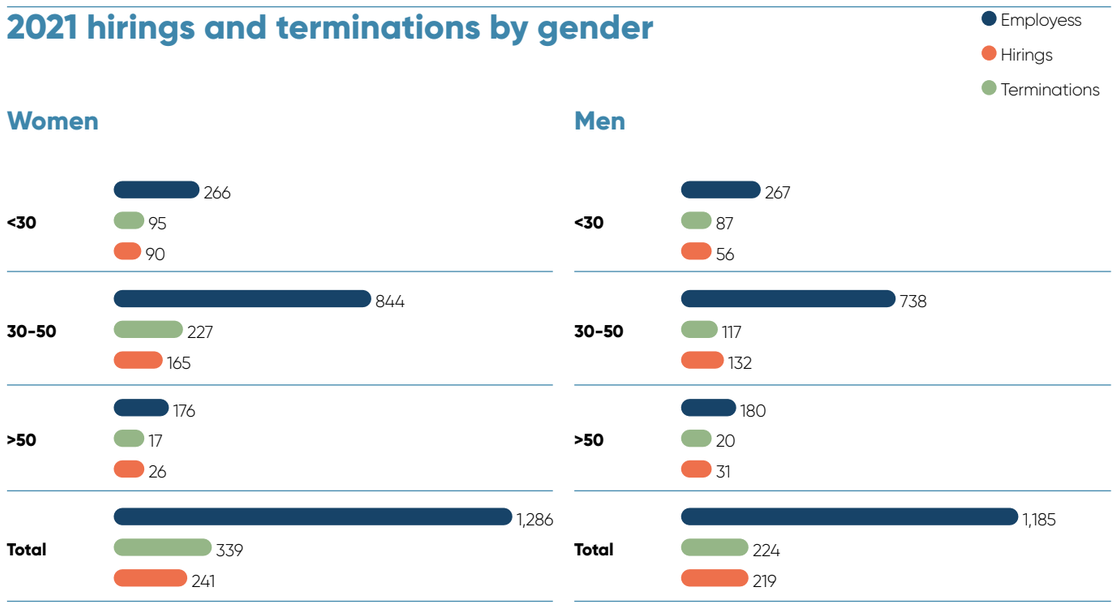
66% of the Employees are aged between 30 and 50, with this percentage rising to 75% if the category of middle management is considered. 18% of the Employees are under 30, a percentage which is zero for the executives. The remaining 16% are older than 50, with this percentage rising to 24% in the category of middle managers and up to 34% for executives.

Employees, hirings and terminations by age

2021	Women				Men				
	<30	30-50	>50	Total Women	<30	30-50	>50	Total Men	TOTAL
Number of Employees	191	765	169	1,125	207	670	177	1,054	**2,179**
Number of hirings	94	228	17	339	86	118	20	224	**563**
Number of terminations	50	165	26	241	56	132	31	219	**460**
Rate of new hirings	**49%**	**30%**	**10%**	**30%**	**42%**	**18%**	**11%**	**21%**	**26%**
Rate of terminations	**26%**	**22%**	**15%**	**21%**	**27%**	**20%**	**18%**	**21%**	**21%**

2020	Women				Men				
	<30	30-50	>50	Total Women	<30	30-50	>50	Total Men	TOTAL
Number of Employees	133	631	140	904	135	551	174	860	**1,764**
Number of hirings	22	75	15	112	19	99	7	125	**237**
Number of terminations	87	294	41	422	81	200	34	315	**737**
Rate of new hirings	**17%**	**12%**	**11%**	**13%**	**14%**	**18%**	**4%**	**15%**	**13%**
Rate of terminations	**65%**	**47%**	**29%**	**48%**	**60%**	**36%**	**20%**	**37%**	**42%**

2021 hirings and terminations by gender



In 2021, 563 new people were hired, 32% of whom were under the age of 30. Apprenticeship is the form mainly used for hiring young people: each newly hired person is flanked by a tutor who accompanies them on a program of insertion for the whole duration of the trial period and afterwards as well.
In relation to terminations, in 2021 460 Employees left the organization, 23% of whom were under 30, with a turnover rate which dropped to 21% in line with the pre-pandemic trend (in 2019 it stood at 23%).

DIVERSITY AND EQUAL OPPORTUNITIES

Alfaparf Milano is committed to the defense of the right of each human being to live and work in a context that allows them to express, fully and legitimately, their individuality and realize their potential, without any discrimination, with the purpose of building up a better society for the whole community.
For Alfaparf Milano each individual is unique and uniqueness is enrichment, as it allows experimenting with different perspectives, ideas and solutions. For this reason, the Group is committed to making the most of uniqueness, to defending equal opportunities and to promoting inclusion inside and outside the company.
Alfaparf Milano intends to attract and develop talent, regardless of every element of diversity, encouraging anyone who is part of the Group to express their potential to the fullest. The Group has always been committed to constructing a working environment where:

- everyone is welcome, respected, supported and made responsible to take an active part in the creation of value;
- characteristics, ideas and personal orientations cannot give rise to discriminations;
- equal opportunities are guaranteed in all aspects of professional life.

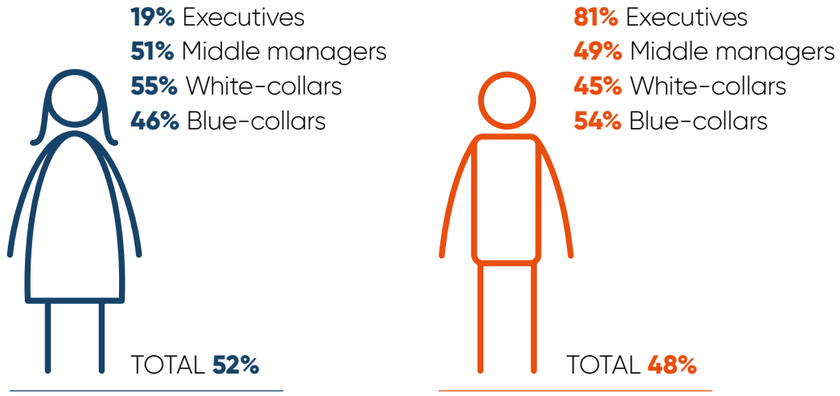
There is an equal distribution between genders in the personnel of the Group, with a female presence of around 52%. In 2021, 60% of the new hirings were women.

Employees by gender and position

	2021			2020		
	Women	Men	TOTAL	Women	Men	TOTAL
Executives	12	50	**62**	12	48	**60**
Middle managers	86	84	**170**	74	81	**155**
White-collars	802	654	**1,456**	610	496	**1,106**
Blue-collars	225	266	**491**	208	235	**443**
TOTAL	**1,125**	**1,054**	**2,179**	**904**	**860**	**1,764**
PERCENTAGE	**52%**	**48%**	**100%**	**51%**	**49%**	**100%**



2021 Personnel divided by gender and position



In general, there is an equal division in terms of diversity (men-women) for all the positions (women account for 51% of the middle managers, 55% of the white-collars and 46% of the blue-collars) with the exception of executives, where only 19% of women occupy an executive position.
The Group has also always been committed to creating benefits for the local communities where it operates, including the promotion of local talents. Showing this commitment, 59% of the senior figures (executives and middle managers) of Alfaparf Milano come from the local community.[12]
Again, with the aim of promoting diversity, fostering inclusion and ensuring equal opportunities for all the Employees, in October 2021, the procedure to obtain Dyslexia Friendly certification with the Italian Association of Dyslexia (AID) was started at the Italian plant. The mission of AID is to increase awareness and sensitivity towards specific learning disabilities (SLD) in the workplace. The goal of the project is to try and improve the internal processes already existing linked to the selection, communication, education and management of the personnel, eliminating potential barriers and obstacles to the insertion of workers with SLD and thus obtaining a better quality of work, allowing the competences of workers with SLD to be developed and putting them in the position of being able to realize their potential to the full, in order to contribute to the growth and the success of the company.
As far as the balance of private life and work is concerned, in 2021, all the new parents who were entitled to benefit from parental leave (optional), returned normally to work after having benefited from it. In addition. 86% of the new parents who had benefited from parental leave the previous year and had returned, are still Employees of Alfaparf Milano.

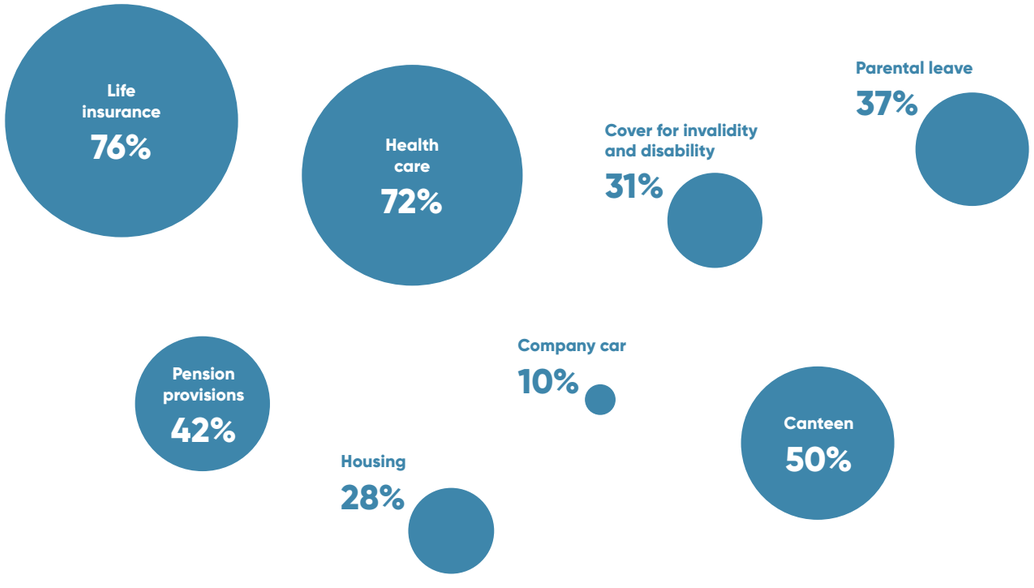
[12] **Local community means the region or the district where the subsidiary is located.**

WELL-BEING OF THE PERSONNEL

The corporate welfare initiatives adopted by Alfaparf Milano mainly concern the flexibility of working hours and measures in support of parenthood such as part-time, access to canteen services and help for Employees in economic difficulties.
The Group also offers remuneration in line with the market, benefits and additional inventive systems aimed at improving the quality of life of its Employees and at obtaining performances in the full respect of the legislation currently in force.
Alfaparf Milano Employees are also guaranteed a series of additional benefits[13] including:
• life insurance;
• health care;
• cover for invalidity and disability;
• parental leave;
• supplementary pension provisions;
• company car;
• housing.

In 2021, 76% of the full-time Employees benefited from at least one of the benefits listed above. The additional advantages from which the Employees most benefited are life insurance, health care and canteens.

2021 Benefits for full-time Employees



[13] These benefits vary depending on the position, the collective bargaining and the legislation in force in the different countries where we are present.

In 2021 the Argentinean subsidiary started developing a program called Marca Empleadora. This program has different areas of action, including Benefit Policies, Induction Policy, Communication, Corporate Social Responsibility, Community etc. The time of implementation is five years.
From Fall 2021, the Italian subsidiary has also joined the MenoPerPiù program, which aims to help companies change the menus in their canteens, focusing on the introduction of healthier and more sustainable dishes. The project also includes a program of info-education for the Employees, with webinars, video clips and infographics to raise the awareness of all the Collaborators on the link between diet, health and environmental sustainability. Targeted days of training have also been organized for the company's canteen personnel, in order to adopt a vegan menu, which is healthier for the Employees and for the planet.
In 2021, the Portuguese subsidiary developed a project of Social Responsibility with the support of the Mertora association. This project is part of the development program of Make it happen, personalized for Alfaparf Milano. The charity projects developed allow developing skills, values and principles, foster relations of trust, empathy and closeness between consultants-customers, customers-customers, and customers-brand, through a noble purpose: solidarity.

RECRUITMENT AND ATTRACTION OF TALENT

The recruitment processes play a fundamental role for Alfaparf Milano, as they aim to identify candidates who possess specific skills, professionalism, seriousness, and technical knowledge, corresponding to the profiles that are effectively necessary for the requirements of the Group and who, at the same time, share the ethical principles and values which inspire Alfaparf Milano.
To this end, the recruitment takes place in the full respect of equal opportunities and without any discrimination, avoiding favoritisms, cronyism and any sort of facilities, with its choice being inspired exclusively by criteria of professionalism and competence.
The requesting organizational unit is involved from writing the Job Description of the Role to be filled and, subsequently, intervenes in the second phase of the Recruitment process, to decide from the short list of candidates, presented by the Human Resources Department. The first phase is normally curated by the Human Resources Department which makes the pre-selection of the applications on the basis of the objective requisites present in the Resumé (academic qualifications, work experience) and does the first interview in order to evaluate the competences, the inclinations, the motivations and everything else that is necessary to provide a qualifying opinion. Every person involved in the selection process abides by the following rules of conduct:
• impartiality in the treatment of the candidates that participate in the selection process;
• confidentiality on the information acquired during the selection;
• independence and abstention from involvement in actions that can generate a conflict of interests and prohibition of following up any undue pressure from internal or external subjects.

EDUCATION AND DEVELOPMENT OF SKILLS

In the Group there is the strong conviction that the quality of the products and services is inseparable from the quality, the training and the growth of its resources. For this reason, multiple educational paths and paths of professional development are made available.
Education is considered an important and irrevocable investment as it combines the needs of corporate growth with the professional development of people: the HR function defines the guidelines and the instruments for measuring the educational needs, and the consequent actions of education, through the preparation of an annual plan of education. This plan includes:

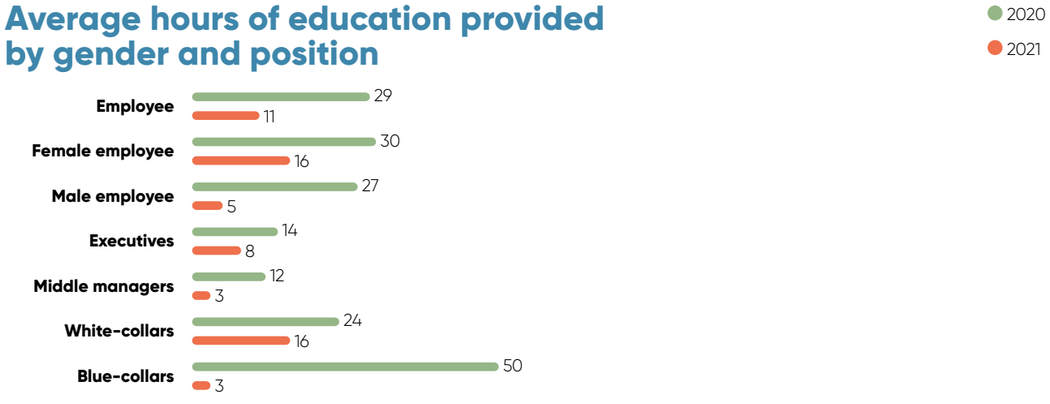
- managerial education, relative to the development of managerial capacities and techniques, organizational behavior and leadership;
- education on regulations and governance, relative to in-depth studies of legislation and corporate provisions;
- training of a technical-operative and professional nature, aimed at the acquisition of skills related to the organizational duty;
- training on health and safety, coherent with the technical-operative activities and the specific obligations according to regulations;
- ther courses (foreign languages, marketing, communication, IT etc.).

In addition to being provided directly by the Group, the education provided to the Personnel is also financed through membership of interprofessional bodies for continuing education.
In 2021, although following an adaptation imposed by the restrictions caused by the spread of the Sars Cov-2 virus, almost all the educational activities in the classroom were held regularly.
In 2021, a total of 62,216 hours of education were provided to the Employees of Alfaparf Milano, of which 52,737 of courses of compulsory education, i.e. required by the legislation currently in force in the different countries of presence, and 9,479 hours of non-compulsory education. As far as the average hours of compulsory education in 2021 are concerned, the blue-collars record the highest value: 50 hours of education.[14] As far as non-compulsory education is concerned, the highest average number – 10 hours – was recorded amongst the Executives. The average number of hours of education provided at Group level in 2021 was equal to 29 hours (24 for compulsory education and 4 for non-compulsory education).

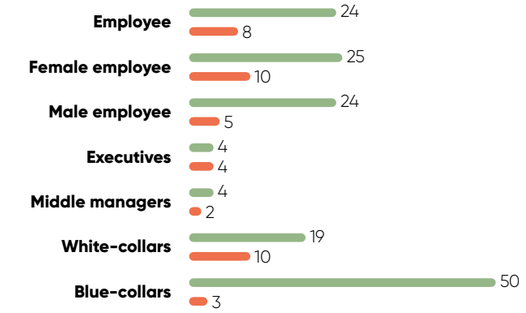


[14] This value is influenced by the education on the correct management of the aspects of health and safety linked to the pandemic.

Average hours of education provided by gender and position



Average hours of compulsory education by gender and position



Average hours of non-compulsory education by gender and position



In 2021 an important project of education on sustainability was started, with the purpose of disseminating the culture of sustainability, making the Sustainability Plan of the Group known, communicating past and future projects, the results achieved and the goals to be reached, involving all the Group's Employees. The project started from the Italian head office and involved the Top Management, the function managers and their staff: in 2021 a total of 95 people (49 women and 46 men) for a total of 2,848 hours of education provided were involved.
Training courses on effective communication techniques were also held to create and reinforce the team spirit, strengthen cohesion and improve communication with the external/internal Customers, as well as courses on Digital Packaging, IT, Staff management, Regulatory affairs, Negotiation, Management of relations and communication, Motivational leadership and foreign languages.

HEALTH AND SAFETY

Protection of the health and safety of People is at the basis of every action, performance and product of Alfaparf Milano. Through a path of continuous education and refresher courses, constant monitoring and periodic analysis of the data, the Group aims to minimize the risks connected with work, avoiding all the behavior that can put the safety of its people at risk.
Education plays a role of primary importance to reach this goal. In 2021, 10,759 hours of education on health and safety were provided and 1,827 Employees were involved.
From 2020, following the Sars-CoV-2 pandemic, guidelines were developed and communicated in the different sites of the Group aimed at providing indications on how to carry out specific informative and operative actions to allow work to be carried out in full respect of the legislation in force on the prevention of the spread of Covid-19.

Hours of education on health and safety

	2021		2020	
	Hours of education	Employees involved	Hours of education	Employees involved
General education	8,091	779	3,322	849
Technical/specific education	2,668	1,048	3,474	776
Total	**10,759**	**1,827**	**6,795**	**1,625**



This activity continued in 2021, in particular courses on health and safety closely linked to Covid and the return to the office were organized, and in addition, the policy of working from home and flexible working hours, started in 2020 because of the pandemic, was further developed.
In the context of the activity of Alfaparf Milano, there are no risk profiles such as to cause occupational pathologies; however, the competent physician has the task of defining the preventive measures and the health protocols for the risk profiles connected with particular duties and that of monitoring any harm to the health of workers; furthermore, in issuing his opinion of suitability, he applies where necessary limitations and provisions to prevent possible occupational diseases.
In 2021, there were 18 accidents, 3 more than in 2020, none of which was fatal. Five of them were caused by falling/slipping, four were caused by accidents during commuting to and from work and three were caused by collisions.
As far as occupational diseases are concerned, in 2021, only one case of occupational disease of a physical type was recorded, three fewer than in 2020.
In reference to the topic of health and safety, the new Health and Safety Management System, aligned with standard UNI ISO 45001:2018 is in the process of implementation and will converge into obtaining certification in 2023 in the Italian plant and, following that, in the plants in Mexico and Brazil.

Accidents and occupational diseases

	2021	2020
Number of deaths following accidents in the workplace	0	0
Number of accidents in the workplace with severe consequences (excluding deaths)	6	1
Number of accidents in the workplace subject to recording	12	17
Hours worked	4,102,708	1,800,446
Rate of deaths from accidents in the workplace	**0**	**0**
Rate of accidents in the workplace with severe consequences (excluding deaths)	**1.46**	**0.56**
Rate of accidents in the workplace subject to recording[15]	**2.92**	**9.44**
Total number of deaths caused by occupational diseases	0	0
Total number of cases of occupational disease subject to recording (excluding deaths)	1	4

[15] The rate of accidents in the workplace subject to recording has been calculated as follows: number of accidents in the workplace out of the hours worked by 1,000,000.

GOALS FOR IMPROVEMENT

Goal	Action/project	Sustainability Plan	SDG	Deadline	Status
To improve Employees' health	Adopt a healthier and more sustainable menu in the company canteen of the Italian subsidiary	3.Look after collaborators, customers, and local communities, promote inclusion and foster empowerment – Promote human development and help people reach and express their potential		December 2021	Accomplished
To promote equal opportunities of gender	Adopt an indicator to monitor the private life-work balance of new parents.	3. Look after collaborators, customers and local communities, promote inclusion and foster empowerment – Promote human development and help people reach and express their potential		December 2021	Accomplished
To promote the uniqueness of individuals and foster integration in the workplace	Obtain Dyslexia Friendly certification in the Italian subsidiary	3. Look after collaborators, customers and local communities, promote inclusion and foster empowerment – Promote human development and help people reach and express their potential		December 2022	Under way
To improve the communication of the corporate culture and the sense of belonging to the Group for newly-hired Employees	Develop a procedure of induction, diversified according to the roles and requirements of the different subsidiaries	3. Look after collaborators, customers and local communities, promote inclusion and foster empowerment – Boost communication, share information and foster the empowerment of individuals and communities		December 2023	Under way
To improve the efficacy of education	Develop a procedure of analysis of the educational needs and verification of the efficacy of the education	3. Look after collaborators, customers and local communities, promote inclusion and foster empowerment – Promote the acquisition of knowledge, the development of skills and education		December 2023	Under way

To improve corporate well-being, the sense of belonging to the Group, the empowerment of Employees	Obtain the Marca Empleadora certification in the Argentinean subsidiary	3. Look after collaborators, customers and local communities, promote inclusion and foster empowerment – Bost communication, share information and foster the empowerment of individuals and communities		December 2027	n corso
To create an integrated system for the management of all the aspects of health and safety	Acquire ISO 45001:2018 certification in the Italian plant and subsequently in the plants in Mexico and Brazil	3. Look after collaborators, customers and local communities, promote inclusion and foster empowerment – Promote human development and help people reach and express their potential		December 2023 (Italy) Medium-term (Mexico and Brazil)	Under way

7. NATURAL CAPITAL

Sustainability Plan

3. Mitigate climate change



MANAGEMENT OF ENVIRONMENTAL IMPACTS

Alfaparf Milano is committed to conducting its business sustainably from the environmental point of view, protecting biodiversity and the health of ecosystems, minimizing the consumption of resources and mitigating the effects of climate change. To attain this goal, the Group has taken action to start initiatives and projects aimed at preventing, checking and reducing the environmental impacts of its activities, adopting the best practices possible, establishing proactive collaboration with its Suppliers and Business Partners and increasing the environmental awareness of its Personnel and Customers.
From this perspective, the new Environment Management System is currently being implemented at the Italian head office, aligned with the UNI EN ISO 14001:2015 standard through the adoption of processes, instruments and procedures, and models that allow limiting the environmental impacts of the organization and improving the energy performances, reducing emissions and consumption and incentivizing, as far as possible, the recycling of waste. Once completed, this system will also be exported to the Mexican and Brazilian sites.



ENERGY CONSUMPTION

In 2021, Alfaparf Milano consumed a total of 97,188 GJ of energy[16], specifically a total of 6,088,612 kWh of electricity of which about 69% from renewable sources, 558,631 Sm^3 of Natural Gas and 38,274 liters of LPG for heating.
As far as corporate mobility is concerned, made up of company cars allocated to executives and a car pool for Personnel on duty, in 2021, 223,447 liters of diesel fuel, 1,389,538 liters of petrol and 14,192 liters of LPG were consumed. In addition, in 2021, 48.97 kilos of cooling gases (R410A and R22) were consumed, a clear increase compared to 2020, mainly due to the resumption of activities.

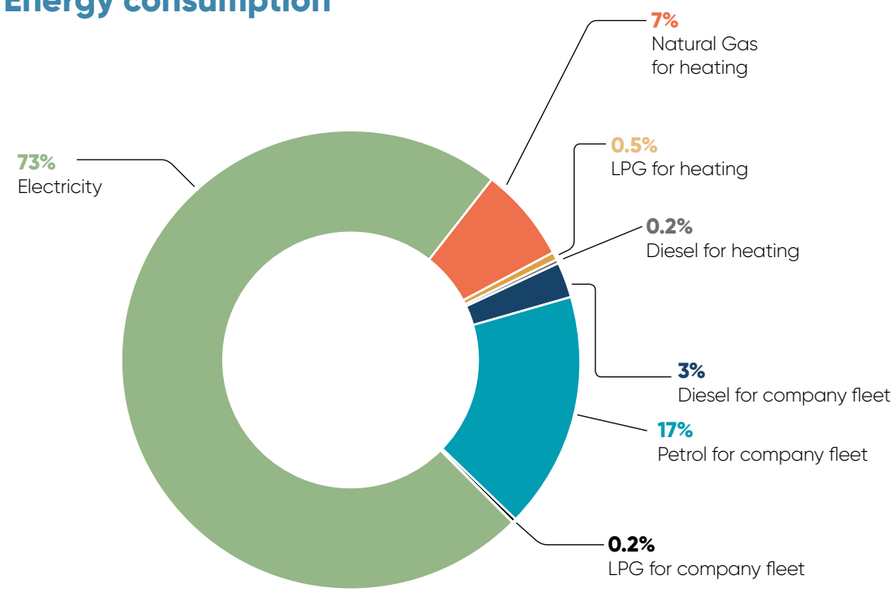
Energy consumption

	2021		2020	
	Consumption	GJ	Consumption	GJ
Hydrocarbons				
Natural Gas for heating	558,631 Sm^3	20,021 GJ	441,264 Sm^3	15,815 GJ
Diesel oil for generators	18,200 liters	662 GJ	12,157 liters	442 GJ
LPG for heating	38,275 liters	932 GJ	37,420 liters	911 GJ
Fuels for corporate fleet				
Diesel	223,447 liters	8,074 GJ	190,275 liters	6,875 GJ
Petrol	1,389,538 liters	45,291 GJ	224,800 liters	7,327 GJ
LPG	14,192 liters	289 GJ	10,672 liters	217 GJ
TOTAL Hydrocarbons		**75,269 GJ**		**31,588 GJ**
Electricity purchased				
Electricity from non-renewable sources	1,907,542 kWh	6,867 GJ	3,831,998 kWh	13,795 GJ
Electricity from renewable sources	4,181,070 kWh	15,052 GJ	1,536,964 kWh	5,533 GJ
TOTAL electricity		**21,919 GJ**		**19,328 GJ**
TOTAL ENERGY CONSUMPTION in GJ		**97,188 GJ**		**50,916 GJ**

Considering the electricity consumed by the 5 production plants, 2021 recorded a slight increase (+9%) in electricity consumption, essentially due to the full resumption of manufacturing activities; however, it is the data on the sources of the electricity purchased that is very positive: out of the 5,804,018 kWh of electricity consumed (5,322,037 kWh in 2020), 70% comes from renewable sources (+168% compared to the previous year). This result is driven above all by the decision of the Italian and Venezuelan plants to be supplied with 100% renewable electricity, followed by Brazil, with a supply from renewable sources which represents more than 80% of the electricity requirement.

[16] **The factors of conversion used to transform the different quantities of energy into GJ are taken from the 2021 Defra (UK Department for Environment, Food and Rural Affairs) database.**

2021 Energy consumption



Energy intensity

	2021	2020	Variation 2021-2020
Italy	0.06 kWh/pz	0.06 kWh/pz	0%
Mexico	0.02 kWh/pz	0.03 kWh/pz	-34%
Brazil	0.04 kWh/pz	0.05 kWh/pz	-14%
Argentina	0.06 kWh/pz	0.08 kWh/pz	-22%
Venezuela	0.06 kWh/pz	0.09 kWh/pz	-36%
TOTAL	**0.04 kWh/pz**	**0.05 kWh/pz**	**-15%**

As far as the energy intensity related to production is concerned – specifically the kWh of electricity consumed on average for each piece produced, including both the products with the Alfaparf Milano trademark and the products for Private Label Customers - in the five production plants in Italy, Mexico, Brazil, Argentina and Venezuela, the overall data show a reduction of 15% of the energy intensity in 2021 compared to 2020 (from 0.05 kWh/pc in 2020 to 0.04 kWh/pc in 2021).
The Venezuelan and Mexican plants have recorded the most significant reductions (-36% and -34% respectively). An initiative to reduce the consumption of electricity worthy of note is the one implemented at the Mexican plant where the whole lighting system has been replaced, using new technologies and high energy efficiency light bulbs, that has allowed the company to reduce its consumption by 12% compared to the previous year.

EMISSIONS INTO THE ATMOSPHERE

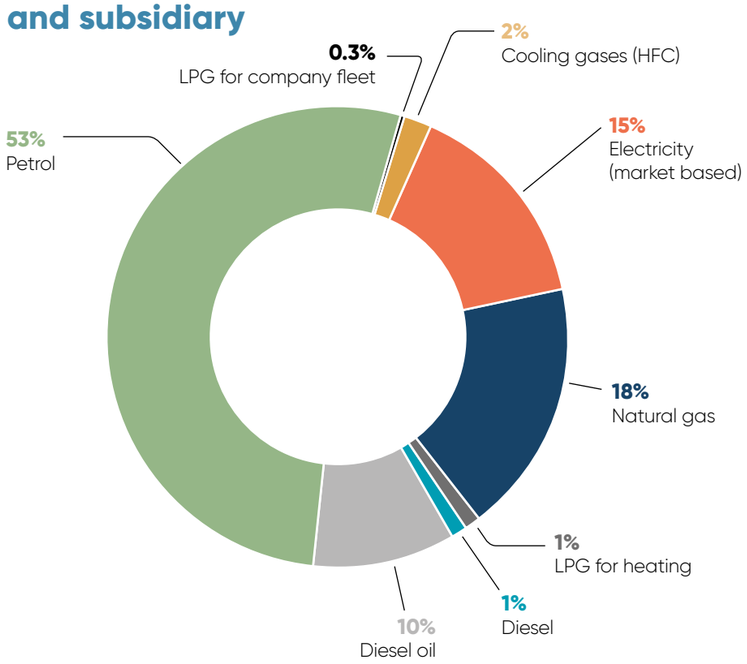
Given the nature of the business and the attention paid to protection of the environment, consumption and the consequent production of greenhouse effect gases (GHG) are constantly monitored. In particular, in 2021 the Alfaparf Milano Group emitted into the atmosphere a total of 6,121 tons of CO_2 eq (Scope 1 + Scope 2 Market based), broken down as follows:

Emissioni di CO_2 eq (ton)

	2021	2020
Scope 1[17] Direct emissions, produced by fuels for heating/air conditioning and for the corporate fleet	**5,207**	**2,095**
Natural Gas	1,129	892
Diesel oil	50	34
LPG for heating	60	58
Diesel fuel	605	515
Petrol	3,251	526
LPG for corporate fleet	16	12
Cooling gases (HFC)	96	58
Scope 2 - Location based[18] Indirect emissions from consumption of electricity from non-renewable sources	**917**	**1,904**
Scope 2 - Market based[19] Indirect emissions from consumption of electricity purchased from non-renewable sources	**914**	**1,776**
TOTAL emissions Scope 1 + Scope 2 Location based	**6,124**	**3,999**
TOTAL emissions Scope 1 + Scope 2 Market based	**6,121**	**3,871**

[17] The sources of the emission factors used for the calculation of the direct GHG emissions is the Defra 2021 (UK Department for Environment, Food and Rural Affairs) database.
[18] The source of the emission factors used for the calculation of the indirect Location Based GHG emissions for Italy is Terna International Comparisons 2020, while for the remaining countries within the reporting scope, Terna emission factors based on Enerdata values, the last publication available, have been used (Table of international comparisons, 2020).
[19] The source of the emission factors used for the calculation of the Indirect Market Based GHG emissions for the European countries is the European Residual Mixes "AIB" last update (31.05.2021). For the non-European countries for which, at the time of writing the document, the residual mix factors are not publicly available from accredited sources, the same emission factors as applied in the Location Based calculation have been used.
[20] The indirect emissions (Scope 2) of the plants in Italy and Venezuela are equal to 00, as both production plants purchase and consume 100% renewable electricity.

Emissions eq 2021 by type of consumption and subsidiary



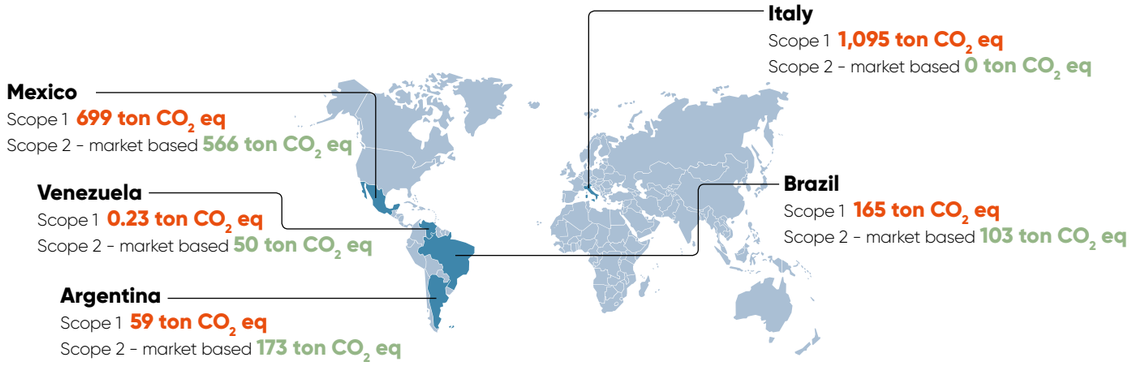
Production subsidiaries

Scope 1 **3,189 ton CO_2 eq**
Scope 2 - market based **72 ton CO_2 eq**

Commercial subsidiaries

Scope 1 **2,019 ton CO_2 eq**
Scope 2 - market based **842 ton CO_2 eq**

2021 emissions by productive site





In 2021, a general increase in the emissions of CO_2 was recorded, due above all to the resumption of working activities after the pandemic and the expansion of the reporting scope. The supply of electricity from renewable sources at the subsidiaries in Italy, Portugal, Guatemala, Peru, Brazil, Venezuela and Panama helped reduce emissions into the atmosphere equal to 1,791 tons of CO_2 eq.
None of the points of emission of the plants exceeded any of the limits according to the respective authorizations; this is also thanks to the monitoring and process control activities which allowed obtaining high standards of performance.
In 2021, charging pillars for electrically recharging Employees' cars were installed in the employee car parks at the Italian sites, with the purpose of fostering sustainable mobility. The progressive replacement, at the Corporate head office, of the executives' car fleet by electric and hybrid vehicles also started in 2022.
Again in 2021, the Mexican plant installed photo-voltaic panels for the production of hot water used for bathrooms, the canteen and other services. One hundred trees were also planted close to the plant to contribute to absorbing CO_2 emissions.

WATER AND EFFLUENTS

In 2021, the commercial and productive subsidiaries withdrew just under 99 mega liters of fresh water (+23% compared to 2020), mainly used in the production process (97% of the total consumed in 2021) and for bathrooms (3% of the total consumed), 98% of which came from the main water supply while the remaining 2% of the water resources are taken from wells.[21]

For Alfaparf Milano, the responsible use of water during the production process is of fundamental importance, as the activity of washing the tanks that contain the dyes has a twofold environmental impact deriving from the high consumption of water and the consequent production of industrial waste water to be disposed of.

In 2021, a total of 47 mega liters of fresh water, mainly for the production of products both with the Alfaparf Milano trademark and Private Label, were consumed, in line with the 2020 figure; while 55 mega liters of fresh water were discharged, almost exclusively into the sewers, showing a clear increase with respect to 2020. This increase is due both to the resumption of production at full speed and to the expansion of the reporting scope.

As far as the water intensity connected with production is concerned – specifically the liters of water consumed on average for each piece produced including both products with the Alfaparf Milano trademark and the products for Private Label Customers – in the five production plants in Italy, Mexico, Brazil, Argentina and Venezuela, the overall figures show a stable 2020 figure (0.67 liter/pc) compared to 2020.

Water intensity

	2021	2020	2021-2020 Variation
Italy	0.99 lt/pz	0.83 lt/pz	+19%
Mexico	0.42 lt/pz	0.49 lt/pz	-14%
Brazil	0.66 lt/pz	0.71 lt/pz	-7%
Argentina	0.66 lt/pz	0.71 lt/pz	-7%
Venezuela	0.68 lt/pz	1.53 lt/pz	-56%
TOTAL	**0.67 lt/pz**	**0.67 lt/pz**	**-15%**

The plants in Venezuela and in Mexico made the greatest reductions (respectively 56% and 14%) while in Italy there was an increase of 19%. Worthy of note is the virtuous initiative implemented in 2021 by the Mexican subsidiary on the reuse of production water: in particular, a system to recover the water used during the osmosis process was in function at the production plant, with the water then being reused for the building's bathrooms. In addition to this, again in 2021, both the programming and the techniques of washing the tanks were improved, in order to reduce the number of washing processes and the amount of water used in this activity. These initiatives allowed reducing by 17% the amount of water withdrawn compared to 2019.

[21] The Argentina's subsidiary is the only one to take water from private wells; all the other subsidiaries take water from the municipal water supply.

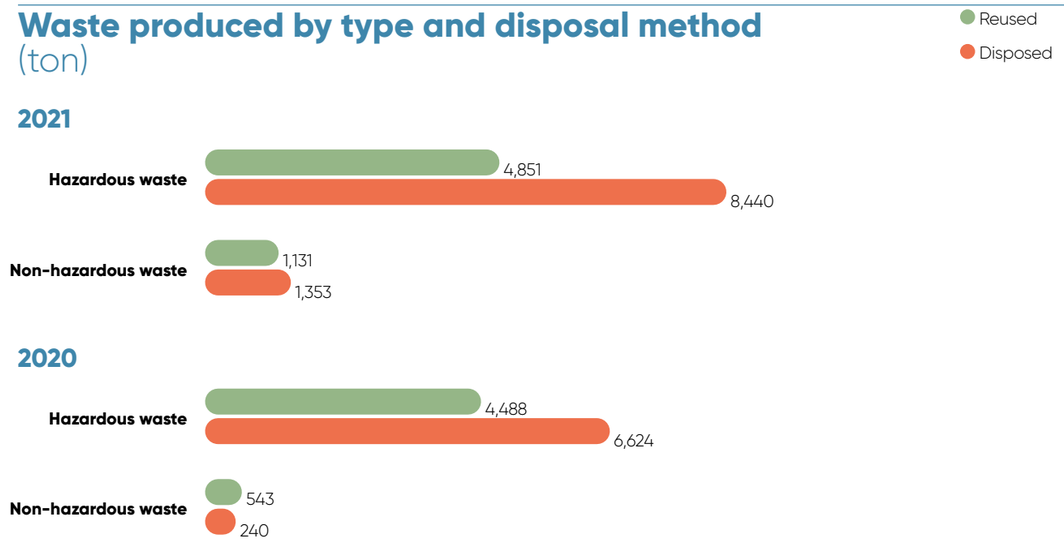
WASTE PRODUCTION AND MANAGEMENT

In 2021, the Group produced a total of 15,775 tons of waste. 84% of which was hazardous waste (equal to 13,291 tons), mostly waste water from washing (about 96% of the total of the hazardous waste). The non-hazardous waste (16% of total waste, equal to 2,486 tons) refers mostly to different types of packaging (86% of non-hazardous waste). In 2021 the waste increased overall by 33% compared to 2020 while the hazardous waste increased by 20%. The difference is mainly due to the increased production after the pandemic and the expansion of the reporting scope.

Waste produced and disposal method
(ton)

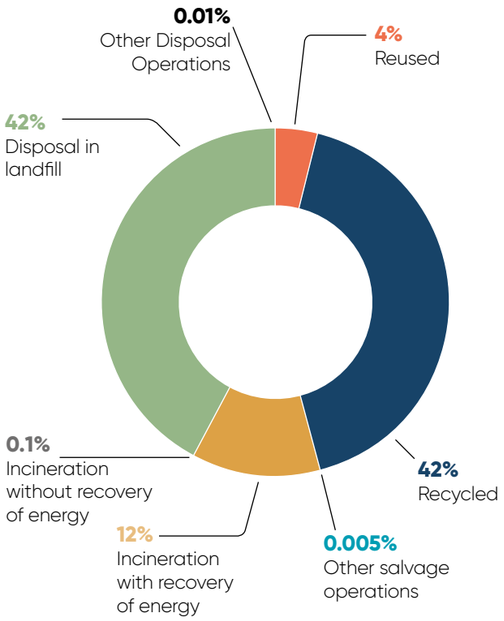
	2021			2020		
	Recovered	Disposed	Total	Recovered	Disposed	Total
Hazardous waste	4,850.8	8,439.8	**13,290.6**	4,487.6	6,624.4	**11,112.0**
Non-hazardous waste	1,131.0	1,353.4	**2,484.4**	542.8	240.3	**783.1**
TOTAL	**5,981.8**	**9,793.2**	**15,774.9**	**5,030.4**	**6,864.7**	**11,895.1**

Waste produced by type and disposal method
(ton)

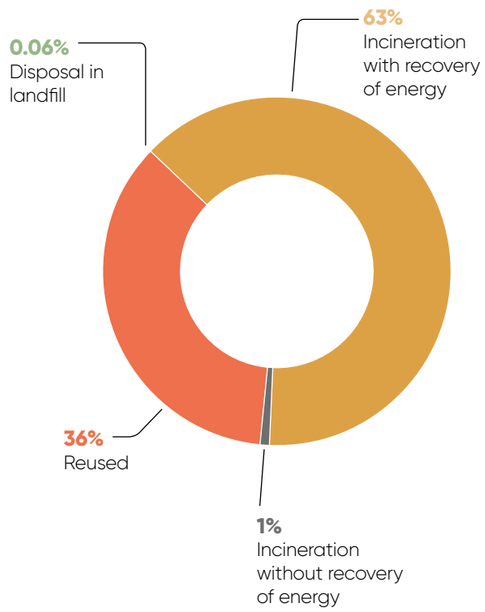


As far as the methods of disposal are concerned, on average, 38% of the total waste generated is to be recovered, of which 31% through reuse and 7% through recycling, while the remaining 62% is sent for disposal, mainly incineration and disposal in landfills.
By analyzing the methods of disposal by type of waste, all the hazardous waste (13,291 tons) is transferred to specialized carriers and disposed of outside the boundaries of the organization. Of this, just under 64% of the hazardous waste produced (8,432 tons) is incinerated, while 36%, about 4,851 tons, is subject to operations of reuse in the production process and only a minimal residual part (8.24 tons) is disposed of in landfills.
As far as non-hazardous waste is concerned, it is mainly transferred to specialized carriers for disposal; only a minimal amount, equal to 16 tons, is recycled and recovered directly at the plants. Out of the total of non-hazardous waste produced, 1,131 tons are sent for recovery (42% recycled while 3% for re-use), of the remaining 1,354 tons of non-hazardous waste, 42% is disposed of in landfills and 12% is incinerated.

2021 non-hazardous waste by disposal method



2021 hazardous waste by disposal method



GOALS FOR IMPROVEMENT

Goal	Action/project	Sustainability Plan	SDG	Deadline	Status
To increase the use of energy from renewable sources	Use of electricity from renewable sources in the Italian production plant. The shift to the supply of electricity from renewable sources has allowed reducing the emissions of CO_2 into the atmosphere by over 630 tons	3. Mitigate climate change – Measure, reduce and compensate the emissions of CO_2 of the manufacturing activities – Evaluate, monitor and mitigate the environmental impacts		Gennaio 2021	Accomplished
To reduce the consumption of disposable plastic	Installation of dispensers of natural and sparkling water from the mains supply, to offer Employees safe water, with a zero-carbon footprint. In addition, every employee is given a personalized water bottle	3. Mitigate climate change – Evaluate, monitor and measure the environmental impacts		July2021	Accomplished
To promote sustainable mobility	Stations have been installed in the Employees' car parks at the Italian sites to allow both the recharging of private or company hybrid or electric cars. The first stations were installed in 2021	3. Mitigate climate change – Evaluate, monitor and mitigate the environmental impacts		December 2022	Under way
To create an integrated system for the management of environmental aspects	Obtain ISO 14001:2018 certification in the Italian plant and subsequently in the Mexican and Brazilian plants	3. Mitigate climate change - Measure. Reduce and compensate the emissions of CO_2 of the manufacturing activities -Evaluate, monitor and mitigate the environmental impacts		December 2023 (Italy) Medium-term (Mexico e Brazil)	Under way
To promote sustainable mobility	Progressive replacement of the vehicles with traditional engines of the corporate car fleet of the Italian sites by hybrid or fully electric vehicles. The first cars were purchased in 2021	3. Mitigate climate change – Evaluate, monitor and mitigate the environmental impacts		December 2024	Under way

8. SOCIAL AND RELATIONSHIP CAPITAL

Sustainability Plan

4. Look after collaborators, customers and local communities, promote inclusion and foster empowerment



CUSTOMERS

Customers have always been at the center of the attention of the Group and their satisfaction, together with a high standard of quality and innovation of the products and services, are the foundations on which the strategy of growth of Alfaparf Milano is based.

TYPES OF CUSTOMERS AND MARKETS

Operating on different markets, the Group has multiple and distinct types of Customers, depending on the sales channel and their geographical location.
On the Italian market the categories of Customers can be divided into:
- beauty centers, hairdressing salons, perfumeries and esthetic medicine centers;
- multinational corporations which want to complete their current production capacities, whether they are present on the professional or retail market;
- professional and beauty retailers who sell both to professionals and to end consumers;
- end consumers, including through the direct e-commerce channel managed with proprietary apps and websites;
- regional/local distributors, who address beauty centers and beauticians, spas and hotels in the area;
- wholesalers, who address small retailers;
- mass retail;
- specialized stores, which normally sell to small beauty salons;
- distribution companies in the pharmaceutical market.

On the international market, however, the Customers are distributors who directly address:
- beauty centers or chains of beauty centers;
- mass retail;
- chains of esthetic medicine centers and, in their turn, small local distributors.



ALFAPARF MILANO SUSTAINABILITY REPORT 2021

To date, the production of products with the Alfaparf Milano trademark for the hair is mainly for the foreign market – even though the Italian subsidiary is rapidly growing both by volume of sales and distribution – through direct subsidiaries and an organization of distributors focused on the Eurasia region; while the production for skincare, together with the appliances for professional esthetic applications, is mostly for the Italian market, mainly looked after by an organization of sole agents.
The current Private Label offer, on the other hand, is aimed at the global market, mainly multinational corporations with an interest in launches at global level, as well as local companies close to the production sites of the Group. Although the offer is mainly oriented towards the professional channel, since 2019 there has been an increase in the supply to the retail market and the mass market, also following the acquisition of New Business Retail, which has contributed to consolidating this distribution channel.
For the retail channel, the focus is both on the development of Customers/products for the classic mass market, and on the development of B2C distribution in the formats of resale of professional products at both brick-and-mortar and online beauty retailers (thanks to direct e-commerce channels managed through beauty apps and biti beauties). In the approach to the classic mass market, the Group, through the two dedicated proprietary brands Alta Moda (in Latin America) and Il Salone Milano (in Eurasia and the United States), has decided to undertake attentive and selective distribution, mainly privileging chains of drugstores, perfumeries and beauty suppliers, but without overlooking the best chains of mass retail. In addition, on the retail distribution front, Alfaparf Milano, taking into account the increasingly strong interest of end consumers in professional products and a multiplication of sales channels in the world, has embarked on a path of adaptation of its offer to the particularities of each market and of each channel, both from the point of view of the product and of communication, using its vast and diversified portfolio of brands. This trend has been reinforced and supported thanks to the creation of a team dedicated to multichannel development, with the aim of increasing the corporate capacity to best meet the needs of end consumers with the brands and products dedicated to them, keeping the necessary exclusivity of the professional technical products.

CONTACT WITH CUSTOMERS

Alfaparf Milano has always been at the service of its Customers, with the aim of supporting and accompanying the growth of both the volume of sales and technical and artistic skills, supplying professional and retail products with high standards of quality as well as personalized services, education and consulting.
As far as the Haircare and Skincare Business Units are concerned, the continuous relationship with the Customers is managed by an organization of sellers and/or direct sole agents and by a network of distributors with a sales force for salons, beauty centers, stores, distribution centers and perfumeries. A commercial structure of coordination with sales managers and area managers completes the organization of this team.
Contact with the professional Customers – hairdressers and beauticians – also takes place constantly thanks to the educational services, through technical training and on the products carried out directly at the salon, at the academy or remotely. In order to be able to interact as best as possible and with an increasing number of Customers and professional prospects, Alfaparf Milano is putting an increasingly important part of educational content on its social channels and on its platforms, this way multiplying the points of contact with Customers.
For the Private Label Business Unit, trade fairs represent, without a doubt, one of the main meeting points between the company and Customers: it is in this context that a first commercial approach is concretized with potential Customers. Following this, there are dedicated meetings with the aim of presenting different types of formulas and products that can be personalized depending on requirements. In addition, over the last few years, in addition to the traditional in-presence activity, occasions of "virtual" trade fairs have developed, where potential Customers interested in the distribution of the brands, especially skincare, have come into contact with the Division. The visibility on the market, in addition to the trade fair channel, is given precisely by belonging to the Group: know-how and expertise, recognized at global level, have brought and continue to bring closer Customers who are looking for an industrial partner with high standards of quality, able to support production capacities at global level, but above all capable of developing and producing customized formulas that are performing and of quality, that can support professional services in hairdressing and beauty salons and satisfying end consumers with the products for resale.
In addition to the professional channel, Alfaparf Milano also addresses the retail channel where, as well as trade fairs, which represent a possible meeting point with Customers, the encounter between demand and supply takes place initially with the identification of the potential targets, defined on the basis of an analysis of the country and market and a consequent selection of the retailers (physical or digital) of the beauty world, which meet the demands of mass or retail positioning of the Group's brand. There is then a direct contact with these prospective Customers for the purpose of checking that the intentions correspond and which brands and products are most suitable for retail sale. This can also take place by taking advantage of the intermediation of specific distributors who, especially in the countries where the Group is not present with a subsidiary of its own, accompany Alfaparf Milano in the selection of local partners according to the best correspondence between positionings of the offer of the Customers and those of the brands in portfolio.

EDUCATION AND INVOLVEMENT OF PROFESSIONAL CUSTOMERS

The education of professional Customers plays a fundamental role in providing a complete and professional service to the end Customer and this is why Alfaparf Milano focuses on education both in skincare and in haircare. In 2021, a part of the educational activities was in-presence, always supported by digital channels (webinars, video clips, etc.) which were used mainly in the education activities.



In 2021 great attention was paid to the education of professional Customers, in particular in the world of coloring, which continues its course of digitalization started in previous years. In 2021, Alfaparf Milano Professional developed an Advocacy project, creating a collective of Global Ambassadors, professional spokespeople of the brand who develop educational content for the whole community of #Alfaparfpeople to be communicated on the social channels.
In the Officina del Colore, the network of Alfaparf Milano Professional hairdressers from all over the world, in 2021 Customers who are members had access in 2021 as well to high level training courses, products of quality, merchandising materials and special agreements as they are exclusive partners of the brand.
Unable to resume participation in physical events, in 2021 the first edition of the Digital Global Tour was developed, a program of events, communicated through the different digital channels of the brand, to allow sharing the Alfaparf Milano Professional events organized by the international subsidiaries with millions of users all over the world. The results obtained, the response and the level of satisfaction reached led to the development of a second edition in 2022.
The "We Love You" format continues in 2021: this is streamlined, immediate and dynamic education to present new techniques of color, shape and care, curated by international testimonials. "We Love You" is a smart format which includes online education, thanks to video clips and simple direct video tutorials that are always at the hairdresser's disposal, and offline education, thanks to seminars dedicated to the Yellow Professional world, during which it is possible to experience the products first-hand and learn new techniques and services.
The education activities and involvement of beauticians also continued on the skincare side through a dual channel: digital and physical. Video clips and webinars were created where professional experts of each brand present the new lines and the new treatments to be done in the salon, as well as the products for self-care to suggest and offer clients, in order to guarantee a complete all-round treatment, even after the session. In addition to the digital channel, physical meetings were also organized, dedicated to technical training.
As far as the OLOS brand is concerned, in order to extend the characterizing values of the brand, linked to sustainability and naturalness, in 2021 educational meetings, webinars and multimedia support were started to accompany the beautician towards a more sustainable cosmetic world and to relate transparently the evolution of the brand in this direction. Furthermore, the beauty centers with the OLOS trademark were made aware of a sustainable and natural approach, including through the production of furnishing, promotional and educational materials made with certified, recyclable materials and, where possible, containing recycled raw materials.



CUSTOMER SATISFACTION COMPLAINT MANAGEMENT

In general, the direct contact with the Customers is managed directly by the sales organization, which reports to the company any requests and/or anomalies, and by a network of beauty consultants who answer the Customer directly or report requests/anomalies that cannot be managed through an ordinary educational activity.
Important occasions of contact with Customers are represented by six-monthly meetings to listen to, share and present the new appliances for beauty and the new skincare products, which involve about 350 Customers for each meeting, as well as a survey through telephone interviews – both for the products and for the appliances – which is assigned to a specialized external company to learn the degree of Customer satisfaction on the services provided by the company.
In addition, the Global Marketing Office periodically monitors the Customer satisfaction both of the professional Customer and of the end consumer, through quantitative and qualitative surveys on the market trends in the various geographical regions where Alfaparf Milano is present.
The management and monitoring of complaints are managed through a special form by the various subsidiaries and, in all cases, an internal procedure of verification corresponds to the complaints, at the end of which the opportune corrective measures are taken, with consequent information to the Customers. The Group has adopted the following procedures:

- **management of complaints of cosmetic products** regulated by the ISO 9001 standard, which allows dividing complaints depending on whether it is a complaint about a service or a complaint about the product.
- **management of complaints on appliances** regulated by ISO 9001 for all the devices for the esthetic channel and by ISO 13485 for medical devices. The procedure of **management of complaints and after-sales reports** has been adopted, the purpose of which is to define the methods of providing services of after-sales assistance on the appliances sold on the Italian market.

E-COMMERCE

2021 saw the confirmation of the importance of a solid and structured strategy of traditional offline sale also accompanied by online channels which, all the more so in this particular time in history, allow the end Customer to be able to use and benefit from the products with the Alfaparf Milano trademark without even having to physically go to a hairdressing salon or beauty center.
The new "digital" strategy focuses on the potential of e-commerce, through the establishment of three channels of digital sale:

- collaborations with professional e-tailers such as Notino, Just My Look, Perfume's Club and Beleza Na Web for the Brazilian market
- marketplace, the driving motor of which is Amazon USA and Mercado Livre in Brazil and Mexico
- direct D2C e-commerce projects, thanks to Internet sites and proprietary platforms in the US market

The fundamental element in the 2021 e-commerce strategy was the promotion of the Group's brands on the different online platforms where it is present thanks to a harmonization of contents, in terms of information and pictures offered, and an activity of correct positioning of each brand, based on the market and the target of reference. In 2021, the presence of the brands of the Group was reinforced on the main marketplaces in China (Tmall). Overall, in 2021 sales through the e-commerce channels reached € 7.8 million, more than double compared to 2020, representing, with the exclusion of the Private Label division, 3.8% of the total sales of the Group. The e-tailer players represent without a doubt the most important channel, in both haircare and skincare, especially thanks to the new collaborations with e-tailers, followed by the marketplace channel and, coming last, the D2C channel, the importance of which is still limited despite the strong growth in the USA compared to 2020. On the side of the products,[22] e-commerce for hair represents more than 92% of the total volume of sales of e-commerce, and represents 4.2% of the total hair and mass market sales. This growth has been driven through successful collaborations with e-tailers, especially in Brazil and Europe, and thanks to important growth on Amazon USA. As far as the e-commerce channels for skincare products are concerned, 2021 also recorded a very positive result compared to 2020 (+ 86%), especially thanks to the collaborations with e-tailers in Italy. For the future (medium-long term), the Group aims at developing collaborations at local and international level with professional, structured and high-level e-tailers.



[22] Reference is made solely to retail products

COMMUNITY

Alfaparf Milano is committed to promoting fairness through the elimination of poverty and the creation of decent living conditions for everyone and defending each human being's right to live in a context where they can express their individuality legitimately and to the full, from the point of view of building a better society for the whole of the community.
The Group intends to pursue this important goal through support for a series of projects and initiatives aimed at promoting uniqueness and fostering inclusion, providing concrete aid for the most fragile, promoting the respect of human rights, supporting health facilities and research in the medical field, valuing the historical, artistic and cultural heritage, offering support for activities of scientific popularization, collaborating with educational institutions and promoting the work insertion of youngsters and people from the local community.
The Group supports organizations, associations and bodies both through its brands and through the Corporate.

VALUING THE UNIQUENESS OF INDIVIDUALS AND PROMOTING INCLUSION

One of the fundamental principles of the Alfaparf Milano corporate culture is valuing uniqueness and promoting inclusion, in the conviction that diversity is wealth and that inclusion fosters the spread of knowledge, strengthens the sense of belonging, generates continuous learning, and allows transparent evaluations. The project that best represents the commitment of Alfaparf Milano in this field is Bellezza in tutte le sue forme (Beauty in all its forms), wholly conceived, wanted, planned and implemented by People of the Group. Beauty in all its forms is a training project for youngsters aged between 18 and 25 with intellectual and/or physical disabilities who are given the chance to start and complete a path of training aimed at obtaining a diploma of Assistant Hairdresser. The goal is to offer these youngsters the opportunity to develop new professional skills, increase their personal autonomy and help them enter the world of work. The project was launched by Alfaparf Milano Professional in Brazil in 2013 together with the Brazilian NGO Istituto Meta Social; in 2015 it was launched in Italy together with various associations such as AIPD Bergamo (Italian Association for Down People), AGPD Milano (Association of Parents and People with Down Syndrome), La Bussola Dalmine and in 2021 it was also started in Portugal. The goal of the Group is to start Beauty in all its forms in an increasing number of countries.



CONCRETE AID FOR THE MOST FRAGILE INDIVIDUALS

The Group is committed to providing concrete aid to the most fragile individuals, through support for specific initiatives. Since 2020 Alfaparf Milano has supported La Forza e il Sorriso, an Italian non-profit organization that organizes, collaborating with voluntary associations, beauty workshops for women undergoing oncological treatment at hospitals all over Italy. In 2021, the Group also supported the Italian association Un Angelo per Capello, which gives wigs to oncological patients in economic difficulty, helping people suffering from cancer to regain confidence in themselves and express their personality despite their illness. Alfaparf Milano Professional organized the contest Shape your attitude in association with the Semi di Lino line: to take part in the contest, the consumer had to take a selfie and, for every photo taken, Alfaparf Milano Professional made a donation in money to the association. This initiative was also proposed in Ecuador, where Alfaparf Milano donated 4 wigs to the local foundation Dibujando una sonrisa.
Alfaparf Milano also supports Dynamo Camp, an Italian non-profit organization that organizes holiday camps and entertainment for children affected by serious or chronic pathologies and their families. The camp offers activities and workshops conducted with the method of recreational therapy and the assistance of qualified staff, with the aim of entertaining the children, but also and above all promoting self-confidence with long-term benefits.
Since 2019, Alfaparf Milano has supported PMG Italia S.p.A., an Italian profit-making company that was founded with the ambition of orienting the resources and needs of the public and private sectors towards a single objective: guaranteeing better mobility for the weakest subjects in the community, the disadvantaged, the disabled and the elderly, to allow them to move and thus take an active part in the life of society. The Group took part in the purchase of a vehicle for Osio Sotto Town Council, necessary for the transport of the disabled and for the transport of the elderly to local hospital facilities as well as for Council services of a social nature.
Since 2020 Alfaparf Milano has been engaged in the DAR – Doar. Amar. Receber Project, based on solidarity, re-use, ecology and sustainability, and aimed at helping orphanages, nursing homes, the homeless, the handicapped and disadvantaged families through the collection of goods. This project has been implemented in Portugal, with the direct involvement of the Alfaparf Milano hairdressers and their Customers. In 2021, seven associations were helped: each charity was chosen by the area representative of Alfaparf Milano. All the hairdressers in the area involve were contacted to join in the project (those who decided put a sticker of the project at the entrance to their salon) and, through activities of empowerment, were invited to involve in the project in the first place their Customers, but also their family members, friends etc., asking them to make a contribution. The goods collected were delivered directly to the association or delivered to the warehouse of Alfaparf Milano in Portugal to be checked again before being sent to the charity.

PROTECTION OF HUMAN RIGHTS

Alfaparf Milano has always promoted the protection of human rights, with special attention to one of the most terrible violations of these rights: violence against women, which in recent times, due also to the lockdown, has seen an exponential increase in cases, together with a greater difficulty for the victims to ask for help. In 2021, Alfaparf Milano decided to support the National Association D.i.Re. Donne in Rete contro la violenza (Women in a network against violence), the first Italian association of a national character of non-institutional antiviolence centers run by women's associations.

VALUING AND PROTECTING THE HISTORICAL, ARTISTIC AND CULTURAL HERITAGE

The Group is actively committed to promoting and protecting the historical-artistic-cultural heritage. Alfaparf Milano has renewed and reinforced its support for the Fondazione Accademia Carrara – which has existed since 2018 – which manages the important heritage belonging to the art gallery in Bergamo, Italy. Since 2017, the Group has also supported the Fondazione Teatro Donizetti of Bergamo – Italy – through the project Ambasciatori di Donizetti (Ambassadors of Donizetti), which aims to concretely help the Theatre in its functioning and, at the same time, support the whole Bergamo community in the collective effort to bring out the great potential for tourism of the Theatre and the works of the Maestro.

PROMOTION OF SCIENTIFIC POPULARIZATION

Since 2017 the Group has supported Bergamo Scienza (Italy), a venue for popularization of the city's scientific culture, and has been a promoter of the Festival of the same name and of other major events.

SUPPORT FOR SCIENTIFIC RESEARCH IN THE FIELD OF MEDICINE

The Group is committed to supporting scientific research in the field of medicine, through support to two Italian foundations, Fondazione Telethon, a non-profit organization which does scientific research into rare genetic diseases and the Fondazione Umberto Veronesi. Through the Becos brand, the Group supports the Pink is Good project of the Fondazione Umberto Veronesi, started in 2013 to finance scientific research of excellence against female tumors. In 2021 Becos financed six months of work by a deserving researcher engaged in fighting breast tumors. For each product purchased, of Becos Superbody Push Up Fluid Breast and Buttocks or No Age Firming Cream, the brand has devolved a sum of money to the Fondazione.

SUPPORT FOR HEALTH AND HOSPITAL FACILITIES

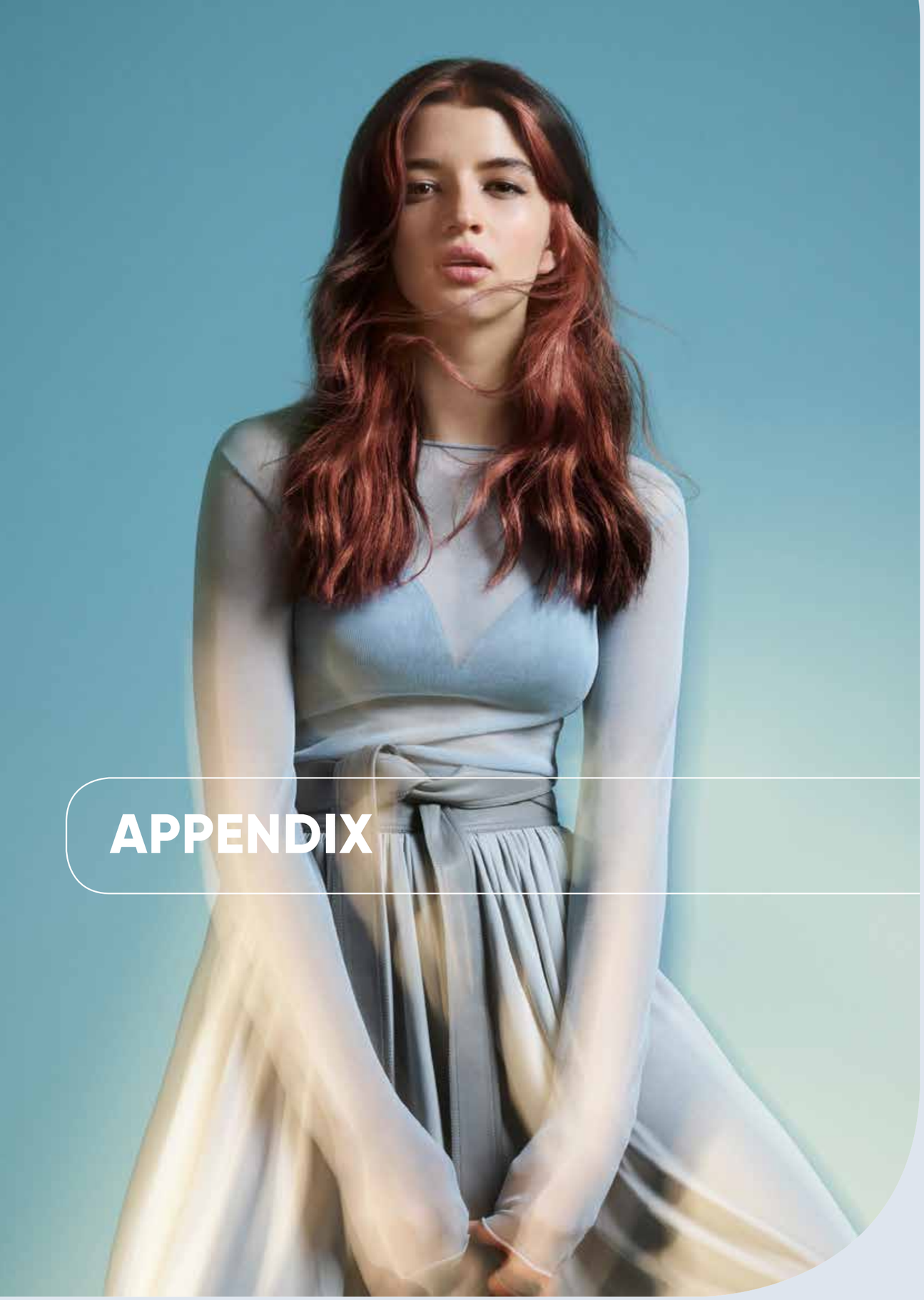
Alfaparf Milano supports the activity of health and hospital facilities. Since 2020, the Group has financed the Department of Pediatric Surgery of the Papa Giovanni XXII Hospital in Bergamo (Italy); since 2021 it has also supported La Casa di Leo, a house where families whose children are in Papa Giovanni XXIII Hospital can stay, for the purpose of helping them regain the strength and tranquility necessary to deal with the experience of illness and restore serenity.

COLLABORATION WITH TRAINING INSTITUTIONS AND PROMOTION OF WORK INSERTION

The Group is actively committed to supporting education locally, for the benefit of the local communities, collaborating and supporting schools and training institutions. Among these, it is important to mention the collaboration, which started in 2017 - with ITS – Higher Technical School for the New Technologies of Life of Bergamo (Italy), which offers students the chance of placements in the company and visiting the production site. Alfaparf Milano also takes an active part in the lessons (the Employees act as teachers) in the cosmetic activities in the laboratory.
In 2021 in Argentina, a program called "Mi primer empleo" was developed with the intention of inserting young people into the Argentinean personnel, providing them with vocational training and helping the to have a first work experience in the company. Also in Argentina, a program with the city council has been started called "Empleos Escobar" in which, through a bank of work, priority has been given, in the processes of personnel selection, to profiles present in the area, in order to give work to the local population.
In 2021 Alfaparf Milano also took part in work fairs in the cities close to the production plant, in order to promote employment in the local communities.

GOALS FOR IMPROVEMENT

Goal	Action/project	Sustainability Plan	SDG	Deadline	Status
To provide education on sustainability to the customers of the Group To boost support for local communities, especially abroad Promote uniqueness and promote inclusion	Development and implementation of a training program on sustainability for all the customers, at global level	4. Look after collaborators, customers and the local communities promote inclusion and foster empowerment – Promote the acquisition of knowledge, the development of skills and education – Boost communication, share information and foster empowerment of individuals and communities		December 2023	Under way
	Continuation of financing projects under way and identification of new projects to support through donations, direct voluntary work, empowerment activities and the involvement of Employees and customers	4. Look after collaborators customers and local communities, promote inclusion and foster empowerment – Boost communication, share information and foster empowerment of individuals and communities – Promote human development and help people reach and express their potential		Medium-long term	Under way
	Obtain Dyslexia Friendly certification issued by the Italian Association of Dyslexia for the Italian site	4. Look after collaborators, customers and local communities, promote inclusion and foster empowerment - Promote human development and help people reach and express their potential		December 2022	Under way



APPENDIX

NOTE ON METHODOLOGY

PRINCIPLES AND STANDARDS OF REPORTING

This document is Alfaparf Milano's fourth Sustainability Report. Like the previous versions, it is issued annually and describes the Group's performances in the economic, social, environmental and governance areas with reference to the year January 1 – December 31, 2021. The document contains all the information useful for understanding the activities of the Group and the impact they have produced, as well as for correctly interpreting the results obtained.

The Sustainability Report was drawn up reporting a selection of "GRI Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI), as indicated in the GRI Content Index of this document, according to the "Core" option of reporting.

It is emphasized that Alfaparf Milano does not fall within the field of application of Legislative Decree no. 254 of December 30 2016 which, enacting Directive 2014/95/EU, includes the obligation of drawing up a Non-Financial Statement ("NFS") for bodies of a public interest that exceed certain quantitative levels. This Sustainability Report is therefore drawn up on a voluntary basis and is not an NFS.

The general principles applied for drawing up the Sustainability Report are those established by the GRI Standards: relevance, inclusiveness, sustainability context, completeness, balance between positive and negative aspects, comparability, accuracy, timeliness, reliability and clarity.

The performance indictors selected are representative of the specific areas of sustainability analyzed and coherent with the activity of Alfaparf Milano and the impacts it produces. The selection of these indicators has been made on the basis of an analysis of their relevance, as described in the paragraph "Analysis of materiality" in the "Governance" chapter.

The process of drawing up the Sustainability Report involved the managers of several corporate functions of the Group and the managers of all the subsidiaries.

The Letter to the Stakeholders and Chapters 1 and 2 show the number of countries where the production and commercial subsidiaries of the Group are present on the date of publication of this document. The figures on the 2021 performances refer exclusively to the subsidiaries specified in the following paragraph (Scope).

To request more information on this subject, it is possible to contact the Global Sustainability Department by writing to: sustainability@alfaparfgroup.it.

SCOPE

The 2021 edition of the Alfaparf Milano Sustainability Report presents a further expansion of the scope which includes all the companies of the Group.[23] The 2021 Report, in addition to the holding company, the five production plants in Argentina, Brazil, Italy, Mexico, Venezuela and the production site for machinery for the esthetic sector in Italy, also includes 28 commercial subsidiaries in Argentina, Australia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Italy, Mexico, Panama, Peru, Poland, Portugal, Dominican Republic, Russia, Salvador, Spain, Uruguay, USA and Venezuela. Therefore, in the document, when talking about Alfaparf Milano or the Alfaparf Milano Group or the Group, reference is made to the scope of reporting just identified.

[23] **Only the companies in which Employees are present have been considered.**

Country	company	productive Subsidiary	commercial Subsidiary
Italy	Alfa Parf Group S.p.A.	HOLDING	HOLDING
Argentina	Prodicos S.A.U.	●	●
Australia	Alfhair Ltd		●
Brazil	Delly Kosmetic Ltda	●	
Brazil	Delly Distribuidora de Cosméticos e Prestacao de Servicos Ltda		●
Brazil	Distribuidora Brazilira de Cosméticos e Participações		●
Brazil	Distribuidora do Rio Grande do Sul de Cosméticos		●
Brazil	Distribuidora do espirito santo de de cosmeticos		●
Brazil	Distribuidora carioca de cosmeticos		●
Brazil	Distribuidora Mineira de Cosméticos		●
Brazil	Distribuidora Paranaense de Cosméticos		●
Brazil	Distribuidora Santa Catarinense de Cosméticos		●
Brazil	Distribuidora Aparecida de Goiânia de Cosméticos		●
Brazil	DNDC – Distribuidora Nordestina de Cosméticos		●
Chile	Cosmetica Chi.Cosm Ltd		●
Colombia	Sabama Ltda		●
Costarica	Costa Rica Cosméticos Cosdist SRL		●
Ecuador	E.Cos S.A.		●
Guatemala	Guatemala Cosmeticos S.A. de C.V.		●
Italy	Beauty & Business S.P.A.	●	●
Italy	Dea Project S.r.l.[24]	●	
Mexico	Dobos S.A. de C.V.	●	●
Panama	Alfa Parf Panama S.A.		●
Perù	Percosm S.A.C.		●
Poland	Pol.Cosm Sp. Z.O.O.		●
Portugal	Maresana Lda		●
Dominican Republic	Porta Nuova S.R.L.		●
Russia	Alfa Parf Russia		●
Salvador	Clio Cosmetics S.A. de C.V.		●
Spagna	Alfa Parf Group Espana S.L.U.		●
Uruguay	Alfa Parf American Division Distribution S.A.		●
USA	B.I.P. Inc.		●
Venezuela	DIS.MAR Cosmetics C.A.		●
Venezuela	Industrias Veprocosm C.A.	●	

The data on the suppliers and on raw materials (ingredients and packaging) refer to the production plants in Argentina, Brazil, Italy, Mexico and Venezuela; the economic data refer to the consolidated scope of the Group, which includes all the commercial and productive subsidiaries with the exception of Venezuela; all the other data refer to the reporting scope. In the case of further limitations, these are duly shown in the text. The data and the information presented come from direct observations; where it has not been possible to find the data or estimates have been made, these are reported in the text each time.
Where possible the 2021 data have been compared with the results obtained in the previous year (2020). In this regard, it is important to remember that the 2020 data, as well as referring to a different scope, were greatly influenced by the pandemic and that therefore very often the comparison between the 2021 data and the 2020 data is not very significant.

[24] **Produzione di macchinari per l'estetica**

GRI CONTENT INDEX

In compliance with the GRI Standards – Core option

In the table, the new specific GRI Standards which have been reported for the first time this year are shown in green.

GRI 102: GENERAL DISCLOSURES 2016

GRI Standards	Page number/Notes
Organizational Profile	
102-1 Name of the organization	Cover
102-2 Activities, brands, products, and services	Pagg. 9; 23-25
102-3 Location of headquarters	Registered office: via Cesare Cantù 1, 20123 Milano (MI) Operational headquarters: Via Ciserano snc, 24046 Osio Sotto (BG)
102-4 Location of operations	Pagg. 20-21
102-5 Ownership and legal form	Joint-stock corporation (legal form of the holding company Alfa Parf Group S.p.A.)
102-6 Markets served	Pagg. 49; 114-115
102-7 Scale of the organization	Bilancio consolidato Alfaparf Milano Pagg. 48-49; 71; 86
102-8 Information on Employees and other workers	Pagg. 86-87
102-9 Supply chain	Pagg. 53-56
102-10 Significant changes to the organization	In 2021, there were no substantial changes in the size, structure, ownership of the organisation or of its supply chain
102-11 Precautionary Principle	Pag. 43
102-12 External initiatives	Pagg. 120-122
102-13 Membership of associations	Confindustria Bergamo; Cosmetica Italy; Federchimica; Unione Industriali
Strategy	
102-14 Statement from senior decision-maker	Pag. 8
Ethics and integrity	
102-16 Values, principles, standards and norms of behavior	Pag.11
Governance	
102-18 Governance structure	Pag. 19
Stakeholder engagement	
102-40 List of stakeholder groups	Pag. 37
102-41 Collective bargaining agreements	Pag. 87
102-42 Identifying and selecting stakeholders	Pag. 37
102-43 Approach to stakeholder engagement	Pag. 37
102-44 Key topics and concerns raised	Pag. 37
Reporting practice	
102-45 Entities included in the consolidated financial statement	Pagg. 16-17; 125-126
102-46 Defining report content and topic boundaries	Pagg. 38-40; 125-126
102-47 List of material topics	Pagg. 39
102-48 Restatements of information	The data on Chapters 5, Human Capital, and 7, Natural Capital relative to 2020 have been updated following the expansion of the reporting boundaries

102-49 Changes in reporting	The reporting scope was changed in 2021 with respect to the 2020 Sustainability Report
102-50 Reporting period	January 1 2021 – December 31 2021, with comparison with the previous year
102-51 Date of most recent report	July 2021
102-52 Reporting cycle	Annual
102-53 Contact point for questions regarding the report	Global Sustainability Department sustainability@alfaparfgroup.it
102-54 Claims of reporting in accordance with the GRI Standards	Pagg. 125; 127
102-55 GRI Content Index	Pagg. 127-130
102-56 External assurance	N.a.

SPECIFIC ASPECTS REPORTED IN THE SUSTAINABILITY REPORT

Specific GRI Standards	Page number/Notes
GRI 201: Economic performances 2016	
103-1; 103-2; 103-3 Management approach	Pagg. 48-50
201-1 Direct economic value generated and distributed	Pagg. 50-51
GRI 202: Market presence 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 90-91
202-2 Proportion of senior management hired from the local community	Pag. 91
GRI 204: Procurement practices 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 53-54
204-1 Proportion of spending on local suppliers	Pagg. 54-55
GRI 205: Anti-corruption 2016	
103-1; 103-2; 103-3 – Management approach	Pag. 42
205-3 Confirmed incidents of corruption and actions taken	There were no violations of Model 231 in 2021 and no incidents of corruption were recorded.
GRI 207: Imposte 2019	
103-1; 103-2; 103-3; 207-1 Management approach	Pag. 52 The Group undertakes to report the information requested by the GRI 207-2; 207-3 and 207-4 in the near future.
GRI 301: Materials 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 73; 76
301-1 Materials used by weight or volume	Pagg. 74-78
301-2 Recycled input materials used	Pagg. 74-75; 79-80
GRI 302: Energy 2016	
103-1; 103-2; 103-3 – Management approach	Pag. 103
302-1 Energy consumption within the organization	Pagg. 103-104
302-3 Energy intensity	Pag. 104
GRI 303: Water and effluents 2018	
103-1; 103-2; 103-3; 303-1; 303-2 – Management approach	Pag. 108
303-3 Water withdrawal	Pag. 108
303-4 Water discharge	Pag. 108
303-5 Water consumption	Pag. 108
GRI 305: Emissions 2016	
103-1; 103-2; 103-3 – Management approach	Pag. 105
305-1 Direct (Scope 1) GHG emissions	Pagg. 105-107

305-2 Energy indirect (Scope 2) GHG emissions	Pagg. 105-107
GRI 306: Waste 2020	
103-1; 103-2; 103-3; 306-1; 306-2 – Management approach	Pagg. 109
306-3 Waste generated	Pagg. 109-110
306-4 Waste diverted from disposal	Pagg. 109-110
306-5 Waste directed to disposal	Pagg. 109-110
GRI 308: Supplier Environmental Assessment 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 55-56
308-1 New suppliers that were screened using environmental criteria	Pag. 56
GRI 401: Employment 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 86-92
401-1 New employee hires and employee turnover	Pag. 89
401-2 Benefits provided to full-time Employees that are not provided to temporary or part-time Employees	Pag. 92
401-3 Parental leave	Pag. 91
GRI 403: Occupational Health and Safety 2018	
103-1; 103-2; 103-3, **403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7** - Management approach	Pagg. 96-97
403-9 Work-related injuries	Pag. 97
403-10 Work-related ill-health	Pag. 97
GRI 404: Training and education 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 93-94
404-1 Average hours of training per year per employee	Pag. 95
GRI 405: Diversity and equal opportunity 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 90-91
405-1 Diversity of governance bodies and Employees	Pagg. 88; 90-91 The Holding's Board of Directors is composed of two men, both over 50 years old. The Board of Statutory Auditors of the Holding is composed of 5 men, 1 of whom is between 30 and 50 years of age and 4 of over 50 years old
GRI 406: Non-discrimination 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 86; 90; 93
406-1 Incidents of discrimination and corrective actions taken	In 2021, at the US subsidiary, a case of harassment by a female employee during a company event was reported. As soon as the report was received, the due investigations were immediately made, which led to the dismissal of the male employee. In addition, in order to reduce the risk of a similar event happening again, a training course on sexual harassment, mandatory for all the Employees, was held at the subsidiary.
GRI 412: Human rights assessment 2016	
103-1; 103-2; 103-3 – Management approach	Pag. 42
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Pag. 42
GRI 414: Supplier social assessment 2016	
103-1; 103-2; 103-3 – Management approach	Pagg. 55-56
414-1 New suppliers that were screened using social criteria	Pag. 56
GRI 416: Customer Health and safety 2016	
103-1; 103-2; 103-3 – Management approach	Pag. 81

416-1 Assessment of the health and safety impacts of product and service categories	Pag. 81
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Pag. 81
GRI 417: Marketing and labeling 2016	
103-1; 103-2; 103-3 – Management approach	Pag. 81
417-1 Requirements for product and service information and labeling	Pag. 81
417-2 Incidents of non-compliance concerning product and service information and labeling	No cases of non-compliance on information and labeling of products and services were recorded in 2021.
417-3 Incidents of non-compliance concerning marketing communication	Pag. 81
GRI 418: Privacy dei clienti 2016	
103-1; 103-2; 103-3 – Management approach	The Group pays great attention to the protection of sensitive data, both of its own collaborators, representatives, distributors) and of its customers, professional and otherwise. The management of privacy. Aligned with the General Regulation on Data Protection (GDPR) 2016/679, is also guaranteed and protected by the adoption of specific internal procedures, including the Code of Ethics.
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints were made in 2021 for violation of privacy and/or loss of sensitive data, whether of customers or collaborators of the Group.
Brand reputation	
103-1; 103-2; 103-3 – Management approach	Pagg. 60-62
Research and Development	
103-1; 103-2; 103-3 – Management approach	Pagg. 60-62
Protection of trademarks and patents	
103-1; 103-2; 103-3 – Management approach	Pag. 62
Customer satisfaction	
103-1; 103-2; 103-3 – Management approach	Pag. 118

CORRESPONDENCE TABLE

The relative material topics, the GRI Standards reported and the scope of the real and potential impacts that are generated and/or suffered by the organization for each pillar of the Sustainability Plan of the Group are shown below.

Sustainability Plan	Aspects disclosed in the report	GRI specific topics	Scope of the impacts Internal	External
1. Be transparent and responsible (SUSTAINABLE GOVERNANCE)	Ethics and integrity in the conduct of business	205-3 416-2 417-2 417-3	Group	Suppliers Corporations and institutions
	Transparency of information on the activities and products	417-1 417-2 417-3	Group	Suppliers Customers Investors Corporations and institutions
	Protection of human rights	412-3	Group	Suppliers Customers Investors Corporations and institutions Community
	Privacy and security of data	418-1	Group	Customers Corporations and institutions
	Anti-corruption and compliance*	205-3	Group	Suppliers Corporations and institutions
2. Create value in the long-term through innovation (ECONOMIC SUSTAINABILITY)	Solidity, profitability and resilience	201-1	Group	Suppliers Customers Investors Corporations and institutions Community
	Brand reputation	103-2 103-3	Group	Suppliers Customers Investors Corporations and Institutions Community
	Research and Development	103-2 103-3	Group	Customers Suppliers
	Protection of trademarks and patents	103-2 103-3	Group	Customers Investors
	Product quality, safety and innovation	416-1 416-2	Group	Customers Suppliers Corporations and institutions
	Approach to taxation*	207-1	Group	Investors Corporations and institutions Community
	Supply chain management*	204-1 308-1 414-1	Group	Suppliers Customers Investors

	Marketing*	417-3	Group	Customers Suppliers
3. Mitigate climate change (ENVIRONMENTAL SUSTAINABILITY)	Materials and ingredients	301-1 301-2	Group	Suppliers
	Waste management	306-1 306-2 306-3 306-4 306-5	Group	Customers Suppliers Community
	Management of water resources	303-1 303-2 303-3 303-4 303-5	Group	Suppliers Community
	Mitigation of climate change*	305-1 305-2	Group	Suppliers Customers Corporations and Institutions Community
	Energy consumption*	302-1 302-3	Group	Suppliers Community
	Health and safety in the workplace	403-1 403-2 403-3 403-4 403-5 403-6 403-7 403-9 403-10	Group	Suppliers Investors Corporations and institutions
4. Look after collaborators, customers and the local communities, promote inclusion and foster empowerment (SOCIAL SUSTAINABILITY)	Customer satisfaction	103-2 103-3	Group	Customers Suppliers Investors
	Education and development of skills*	404-1	Group	
	Diversity, inclusion and equal opportunity*	202-2 401-1 401-3 405-1 406-1	Group	Suppliers Customers Investors Corporations and institutions Community
	Well-being of Employees and private life-work balance*	401-2	Group	Community Corporations and Institutions

*The aspects marked with an asterisk are those topics which, although not strictly material from the analysis of materiality carried out are nevertheless reported to give greater disclosure and a wider overview of the impacts and the management of the main topics of sustainability by the Alfaparf Milano Group.

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