

ALFAPARF
GROUP

Sustainability Report
2020



“
*Nature is painting for us,
day by day, pictures of
infinite beauty*
”

(John Ruskin)



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Letter to Stakeholders

Through publication of the third edition of the Sustainability Report, ALFAPARF GROUP intends to continue its commitment to all stakeholders by providing a transparent and accurate statement of the Group's performance in the areas of governance and economic, product, environmental and social sustainability.

2020 was an extremely difficult year for ALFAPARF due to the global health emergency caused by the spread of the SARS-CoV-2 virus. The pandemic and the restrictions imposed to contain it had a severe effect on the operations of the Group, which was forced to rethink its plans and projects, including in the area of sustainability.

Nevertheless, despite the problems that characterized 2020, ALFAPARF GROUP never veered from its path to sustainability, well aware of the fact that its strategic decisions should in no way ignore this issue, which will be one of the cornerstones of the world's economic recovery. For this reason, the ALFAPARF working group dedicated to sustainability - appointed to assist management in decisions through the development, implementation and monitoring of projects, actions and measures in the various areas - has continued to perform its tasks.

The company worked to continue with existing sustainability projects and to carry out new initiatives, readjusting actions already planned or examining new ones, in light of the new needs and restrictions imposed by the pandemic. In terms of environmental protection, ALFAPARF undertook actions aimed at reducing CO2 emissions, using recycled and recyclable materials and ingredients from renewable and certified sources. In the area of social sustainability, the company primarily focuses on protecting the health and well-being of all Staff and on supporting local communities in the difficult battle against the pandemic; the Group also continued its support for cultural and volunteer associations and took steps to guarantee an ongoing relationship with Customers and to provide them with training, assistance and support. Finally, the company continued to keep its lines of communication with stakeholders open.

In addition to publishing the Sustainability Report, ALFAPARF continued to develop the 2022-2024 Sustainability Plan, which will identify the priority areas of intervention and set goals to be achieved. The company thus intends to approach the issue of sustainability in a more organic and systematic way, determining which specific

areas require the most urgent action and setting quantifiable objectives and precise timelines for achieving them. The Plan, which will be completed in autumn 2021, was jointly put together with contributions from Management, Staff and Customers.

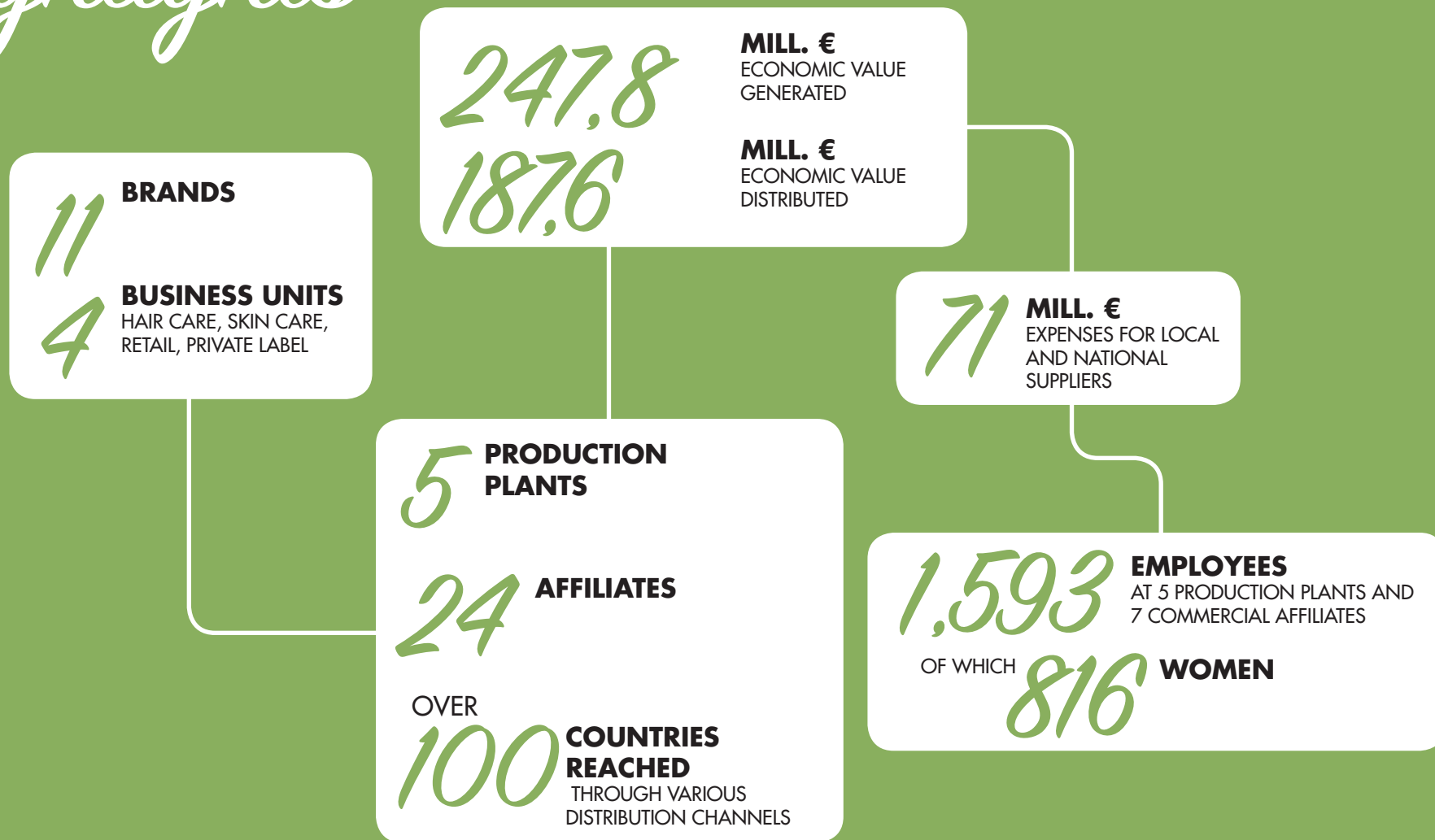
The desire to include sustainability when making strategic decisions and in the Group's operating activities reflects the aim to make ALFAPARF more resilient during crises. The awareness of governing bodies and leading players in the world economy that the probability of events similar to those of 2020 is not in fact remote and that the entire economic and social fabric runs a very real risk, requires us to rethink our current model of development and business. All parties, both public and private, must work to support transformation of the European and world economy into a clean and resilient future.

As Frans Timmermans, Vice-President of the European Commission, has stated, "The recovery we propose will deliver the society that this and next generations need: clean, prosperous, resilient. Where nobody is left behind."

ALFAPARF intends to do its utmost to contribute to creating a more sustainable and equitable future, by means of a systematic, inclusive and transparent approach through which a strong focus on innovation can be developed and the ability to measure business decisions can be improved by analyzing all their short-, medium- and long-term impacts. As an economic enterprise, ALFAPARF is aware of its role as a driver of development and intends to actively contribute to creating a model of sustainable development in its area of operation, with a commitment to creating long-term value.

Roberto Franchina
Presidente ALFAPARF GROUP

Highlights



40%

**RAW MATERIALS
(INGREDIENTS)** FROM
RENEWABLE SOURCES

OF WHICH

29%

CERTIFIED
(COSMOS, NATRUE,
RSPO)

2

**PRODUCTION PLANTS
(BRAZIL AND VENEZUELA)**

THAT USE ELECTRICAL ENERGY
EXCLUSIVELY FROM RENEWABLE
SOURCES

9,367

**TOTAL HOURS
OF TRAINING
PROVIDED**

6th place

**PLACE AMONG LISTABLE
ITALIAN COMPANIES IN
THE BEAUTY SECTOR**



Codogno (LO), February 20, 2020

Every year the Oxford English Dictionary, the undisputed authority for the English language (and more), selects a word of the year: a word or expression that best summarizes how people spoke and wrote during the year. The word of the year is selected based on how well it reflects the spirit of the year.

In 2020, for the first time in its history, the Oxford English Dictionary did not name a word of the year, stating that 2020 was a year that could not be summed up in a single word. We fully agree with the Oxford English Dictionary's decision.

The date of February 20, 2020, when the Codogno Hospital identified the first case of Covid-19 in Italy, is a watershed moment that marked the before and after for the country and the world, something that will remain in our memory forever.

So many words come to mind when we think about 2020. Some of them had particular importance for us at ALFAPARF.

The first two are certainly Health and Safety. In the company, we faced the difficulties created by the pandemic by thinking first and foremost about protecting everyone's health and safety. In their operations, our affiliates promptly took all necessary steps to ensure continued operations so

that the Group's economic and financial condition would be secure, obviously ensuring the health and safety of all Personnel and Staff. With a show of great collective effort, the entire business organization and all production and management procedures were reviewed and adapted to the new situation. We also took steps to support healthcare institutions and local volunteer associations in the fight to protect the health and safety of the population, in line with the principle of participating in community life that has always inspired our way of doing business.

A third word that characterized our 2020 is certainly Distance. Distancing became fundamental to ensure people's health and safety. We had to learn how to work, relate to each other, and more in general live in a different way, "distanced." In addition, the globalized world we were accustomed to radically changed; distances between countries and continents suddenly became insurmountable, and the free movement we had taken for granted was restricted. Under such circumstances, it was not easy to guarantee production activity, coordinate the activities of all affiliates, maintain contacts with our Customers, and protect the supply chain.

A fourth word that was very important to us in 2020 was Recovery. The coveted recovery finally arrived in the summer, but was soon hindered by the second wave of the pandemic. This situation, along with the uncertainty that characterized all of 2020, made it difficult to find a proper balance in terms of the production, distribution, and supply system and in managing people.

The fifth and last word that characterized our 2020 was doubtless Resilience. Perhaps this term has been misused, but for ALFAPARF, it means the Group's proven ability to not only stand strong, but to adapt to change and reorganize itself in a productive, positive and effective way. The adverse circumstances under which we were forced to operate inspired us to continue our growth and global expansion.

Over the past year, we reconsidered our strategic priorities and decided to accelerate the process of digitalization and sustainability, despite the difficult moment. We resisted by evolving and improving ourselves.

The Oxford English Dictionary's word of the year for 2019 was Climate Emergency, because it conveyed the urgency of climate-related measures. We at ALFAPRF agree with this choice, and over recent years we've decided to formally commit to protecting the environment, and more generally to promoting sustainability, by beginning preparations for a three-year plan of action.

At the time of this writing, we don't yet know what the Oxford English Dictionary's word of the year will be for 2021. For us at ALFAPARF, it will certainly be People, the key element that allowed the Group, Italy, and the whole world to stand strong by adapting to change.

We thus intend to forge ahead with our commitment to the Environment, continuing with ever-greater determination in the projects and actions we've begun, using the Three-Year Sustainability Plan to set increasingly ambitious goals.

At the same time, we want to continue investing in People, through projects aimed at the well-being of our People; through initiatives aimed at the People who live around us, that is the local communities who provide a home for our offices; through concrete aid to the weakest and most disadvantaged People.

We want to continue to do good – as we have always done – with a commitment to do good for People and the Environment.



Scope

In today's world, the company's vision and business strategy cannot ignore sustainability as a fundamental element for improving market competitiveness and the ability to create value over the medium-long term.

With a desire to strengthen its chosen path to sustainability, ALFAPARF is publishing its third Sustainability Report, demonstrating its commitment to adding not only issues such as innovation and creativity to its business model, but also social inclusion, respect for the environment, support for local communities, fighting climate change, attention to the well-being of Staff, proper waste management, etc., with a strategic vision that places sustainability at front and center, along with increasingly complete and transparent communication with all stakeholders.

ALFAPARF's Sustainability Report comes out once a year, and the third edition describes company performance in the economic, social and environmental area from January 1 – December 31, 2020. Where possible, 2020 data were compared with results for previous years.

The document was prepared in accordance with the Core Option of the GRI Sustainability Reporting Standards (GRI Standards) guidelines issued by the Global Reporting Initiative in 2016. In order to gradually align the scope of the Sustainability Report to the consolidated financial statements, ALFAPARF GROUP decided that the 2020 report would include not only the five production plants in Italy, Argentina, Brazil, Mexico and Venezuela, but also the 7 commercial affiliates in Colombia, Costa Rica, Ecuador, the United States, Poland, Spain and Portugal. Therefore, in the document, the term ALFAPARF GROUP or ALFAPARF refers to this scope.

Data regarding suppliers, raw materials (ingredients) and packaging refer to the production plants in Italy, Brazil, Mexico, Argentina and Venezuela; the economic data refer to the Group's scope of consolidation, which includes all commercial and production affiliates with the exception of Venezuela; all other data refer to all 12 production and commercial affiliates within this scope. If there are additional limitations, these are duly indicated in the text.

Finally, the data and information presented arise from direct reporting; if it was not possible to find the data or if estimates were made, they are always indicated in the text.

Materiality

To determine the areas and issues to be reported in its Sustainability Report, ALFAPARF performed a materiality analysis to identify and prioritize the issues considered relevant and meaningful for its business and stakeholders. These issues are defined as material, as they reflect the economic, social and environmental impact of the organization and can influence or be influenced by stakeholder decisions.

In order to identify the issues most relevant and significant to ALFAPARF and its stakeholders, a materiality analysis is performed through a structured process, broken down into 4 phases:

- analysis of sector characteristics and benchmarks;
- analysis of existing internal documents and previous Sustainability Reports;
- face-to-face interviews with corporate business officials who hold key positions;
- completion of an online survey with principal stakeholders (Management, Staff and Customers of the 12 countries included within the scope of the 2020

Sustainability Report). A materiality analysis of the 2020 Sustainability Report was thus performed in participatory fashion, with the active involvement of stakeholders. This made it possible to identify the issues addressed in the report based on their importance to the company and to Staff and Customers.

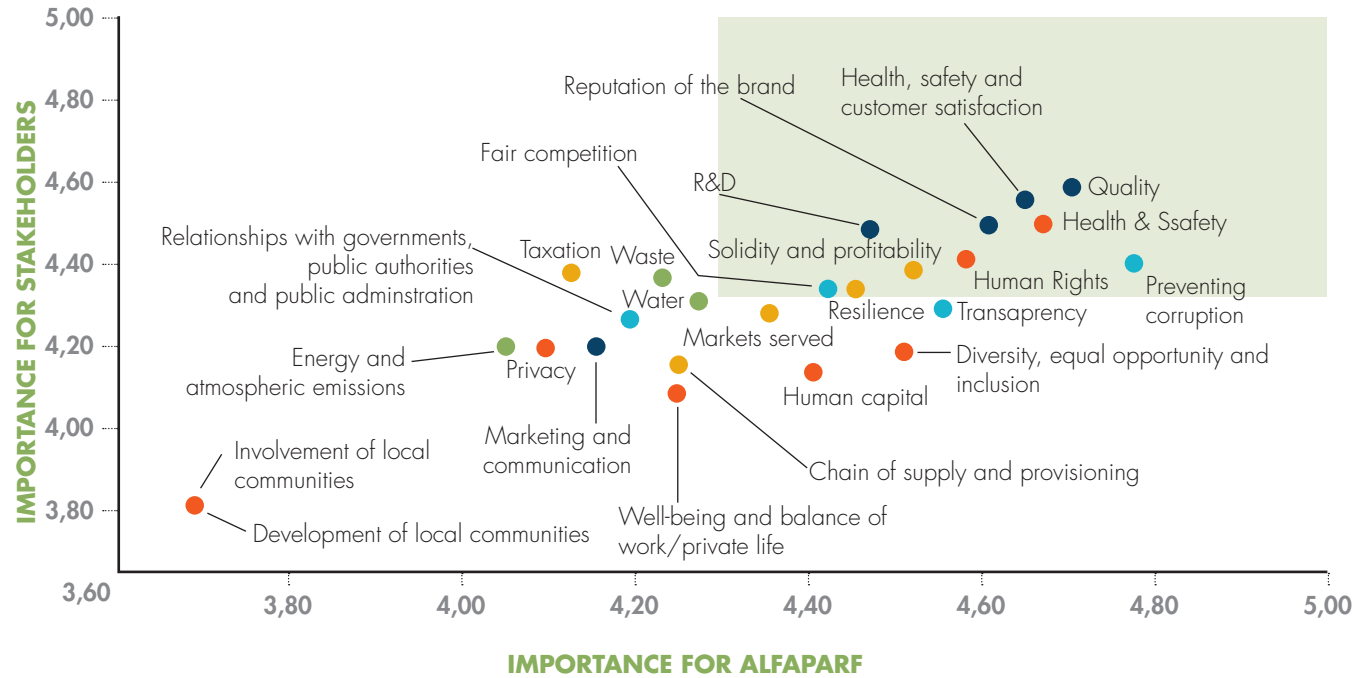
The materiality matrix was obtained by processing data from the 4 phases of the materiality analysis. It presents exclusively issues that met the so-called materiality threshold, that is which had an average valuation of 3.60 or above from both perspectives.

This analysis made it possible to:

- analyze the development of material issues over the years (addition/removal of issues to/from the matrix; different position of issues within the matrix);
- verify the degree of alignment between the stakeholder's perspective and the organization's perspective on each issue.

MATERIALITY MATRIX

- Sustainable governance
- Social sustainability
- Environmental sustainability
- Economic sustainability
- Product sustainability



The analysis shows that the 10 issues considered most important from both ALFAPARF's perspective and from the perspective of its stakeholders (average valuation 4.30 or more) are related to Product Sustainability (quality, health, safety and customer satisfaction, brand reputation, research and development), Social Sustainability (health and safety of Staff and respect for human rights), Sustainable Governance (preventing corruption, fair competition), and Economic Sustainability (solidity and profitability and resilience).

MATERIAL ISSUES BY AREA

AREA	ISSUE
Sustainable Governance	Preventing corruption Relationships with Governments, Public Authorities and Public Administration Transparency Fair competition
Economic Sustainability	Solidity and Profitability Taxation Markets served Resilience Chain of supply and provisioning
Product Sustainability	Marketing and Communication Research and Development Health, Safety and Customer Satisfaction Quality Brand Reputation
Environmental Sustainability	Energy and atmospheric emissions Waste Water
Social Sustainability	Well-being and balance of work-private life Human Capital Diversity, equal opportunity and inclusion Privacy Human Rights Health and Safety Development of local communities Involvement of local communities

Stakeholders

Stakeholders are those who, in various ways, can influence or be influenced by ALFAPARF's activities. They represent the entire organization, highlighting all relationships that characterize the Group's activities.

Through the Sustainability Report, ALFAPARF on one hand intends to give its stakeholders an accurate, transparent report of its performance, and on the other communicate with them by establishing an ongoing dialogue, if possible directly involving them in the development of plans, measures and actions. For ALFAPARF, stakeholders always set the standard for company business, and discussions with them are an opportunity for the Group to grow and improve. ALFAPARF's stakeholder management strategy includes 4 phases:

- identification of stakeholders;
- identification of the most suitable methods of involvement;
- analysis of stakeholder expectations;
- integrating stakeholder expectations into company plans.

STAKEHOLDERS AND METHODS OF INVOLVEMENT

STAKEHOLDER

METHOD OF INVOLVEMENT

Shareholders

Interviews and daily discussions on company management
 Monthly management meetings
 Meetings on specific issues

Customers and Consumers

Customer Service
 Interaction through social networks
 Sales network as channel for listening, intermediation and communication
 Interaction through questionnaires
 Creation of work groups with teams of hair stylists/beauticians

Local Communities

Ongoing relationship with local authorities and the community to manage impact of production plants on the local system
 Support for certain initiatives of the local authorities and charitable and/or social and cultural volunteer associations

Suppliers

Talking about and cooperation with local issues
 Periodic meetings with suppliers and on-site visits
 Talking about the Supplier Code of Conduct and Code of Ethics
 Periodic contacts to establish quality standards

Local, national and international institutions, trade associations

Participation in local and national trade organizations
 Participation in events such as conventions, seminars, etc. to talk about the company experience and situation with others

Financial institutions

Periodic meetings to talk about the development of financial markets around the world
 Periodic meetings to analyze performance and company business development plans

People

Training and performance management programs
 Focus groups and group coaching
 Talking about the Employee Code of Conduct and the Code of Ethics

Press and Social Media

Relationships with the local and international press
 Participation in round tables
 Interaction through social networks

Trade Unions

Periodic meetings to analyze the company situation
 Negotiations on specific company issues

Sustainable Development Goals

On September 25, 2015, at the 70th General Assembly of the United Nations, world leaders adopted a new global framework for sustainable development. This framework is represented by the now well-known Agenda 2030, consisting of 17 goals (Sustainable Development Goals - SDGs) and 169 sub goals, valid from 2015-2030.

The adoption of Agenda 2030 was a historic event, because it clearly supported the conclusion that the current development model is not only environmentally unsustainable, but also unsustainable in economic and social terms. The Sustainable Development Goals aim to change course and create better prospects for the planet and its inhabitants.

These goals are considered universal, as they regard all countries in the world, who are called to contribute to achieving them based on their abilities. Agenda 2030 also explicitly notes the responsibility of all players in society, from Governments (central and local) to enterprises, to civil society, to individual citizens.

The production sector is called to implement sustainable development goals,

on one hand aiming to reduce the negative impact of activities and on the other maximizing the positive ones: such as optimizing the use of natural resources, reducing atmospheric emissions and waste production in order to protect the environment, and encouraging the creation of new jobs and redistribution of wealth to contribute to the fight to eliminate poverty.

ALFAPARF has integrated Agenda 2030 into its sustainability strategy.

The Group has identified its primary Sustainable Development Goals for the organization, taking into account the issues considered material under the materiality analysis and the characteristics of the sector in which it operates. ALFAPARF has 12 primary sustainable development goals, i.e. goals that the organization can best contribute to achieving through its business activities:



Sustainable Governance

Vision, Mission and Values

VISION

"Create and offer solutions to reveal everyone's authentic beauty through a pleasant, satisfying and mindful process."

MISSION

"Guarantee and maximize the quality of the products and services offered to our Customers, combining Italian taste and creativity with the latest international trends, with the awareness that the market demands more and more professionalism, attention, and personalized services."

The focus on innovation is one of ALFAPARF's distinguishing features: the habit of working alongside professionals all over the world has made it possible to develop the ability to anticipate demand trends and to promptly adjust its offer through research and development, building and growing a unique know-how now recognized by the entire industry .

The products and services are an emblem of the results of research and innovation, as well as years of collaboration with sector professionals. Not only that, robust technological know-how and in-depth knowledge of Customers and their needs are fundamental elements for the Group's success and achievement of its mission.

VALUES

The ALFAPARF GROUP's guiding values in pursuit of its goals are represented by four key words:

1

BELONGING

We're a big family where everyone feels at home and everyone is important. Listening, support and participation are the basis for relationships with our Staff and Customers."

2

EXCELLENCE

Innovation and technological development are essential to us, because – in a typically Italian approach – we don't just want to make things, but we want to make them well."

3

COURAGE

We're not afraid to take risks, and we want to make all our decisions independently, because we want to set our own course."

4

PASSION

"We love beauty, and every day we commit to disseminating and defending it. Being able to meet the needs of our hair stylists, beauticians and their Customers fills us with pride."



History and Organizational Structure

HISTORY

ALFAPARF was established in late 1980 in Vaprio d'Adda (Milan), based on an idea by Roberto Franchina, who, assisted by about ten Staff members, began to create products for professional hairdressers under the ALFAPARF brand.

After a few years, during which production was consolidated in Italy and transferred to Busnago (Milan), 1989 saw the launch of the Semi di Lino line, which became the first great commercial success. The following year, Evolution of the Color hair coloring made its appearance.

The company first ventured abroad in the late 1990s. It exported first to Spain and Latin America, and then established commercial affiliates in Brazil, Mexico, Argentina and Venezuela. Its first foreign production experience was in Venezuela, and within a few years it had plants in Brazil, Mexico and Argentina. During the last decade of the century, it continued the process of establishing Group commercial affiliates, and it now has affiliates almost everywhere in the Americas, from the USA to Chile, as well as in Australia, Taiwan, Singapore and Malaysia. Growth also continued in Europe as affiliates were opened in Portugal, Malta, Greece, and Poland.

In 2000, Italian production activity was transferred to Osio Sotto (Bergamo), and two years later the ALFAPARF GROUP was born: it has a turnover of about 60 million euros, over 90% of it generated abroad.

This strong international focus became even more acute in 2003 as business activity in China commenced. In 2008, expansion of plants in Italy, Mexico and Brazil began. The Private Label project also took off: its goal was to develop production for third parties using Group know-how, in particular coloring products.

ALFAPARF GROUP is now officially a multinational, with a direct presence (through subsidiaries) in more than 20 countries and coverage through important third parties in 80 other countries in the world.

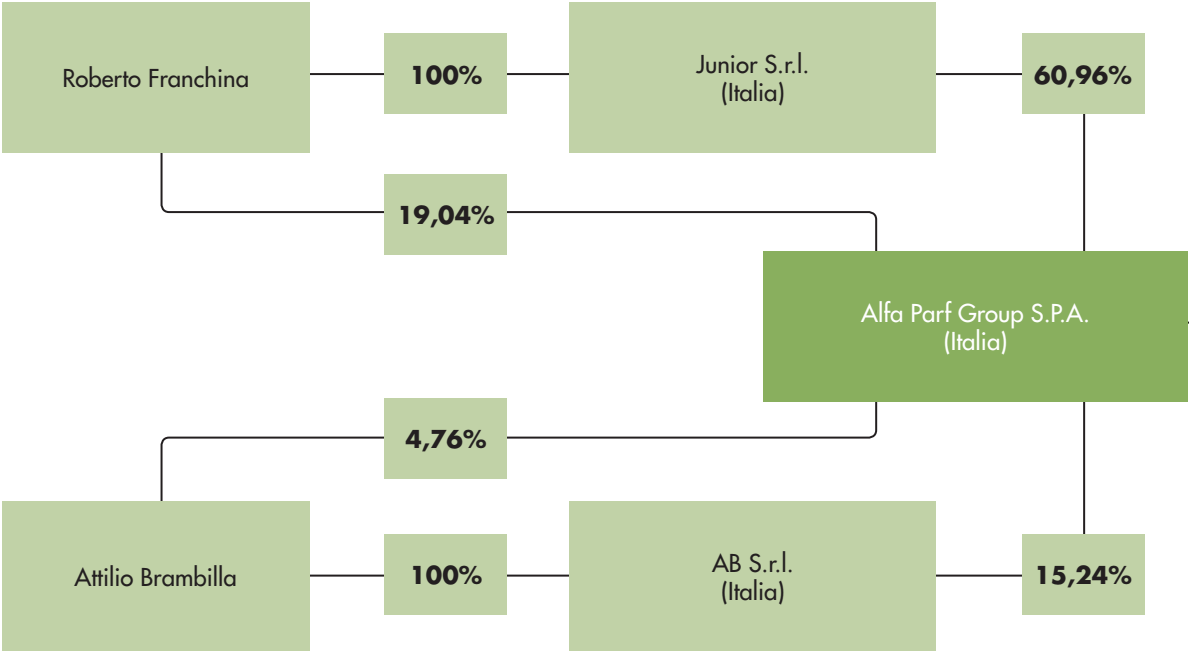
2009 was a historic year that marked the acquisition of the GTS Group, established in the late 1970s, which produces and distributes professional cosmetics and equipment for beauty salons. In the world industry of professional cosmetics, ALFAPARF became the largest completely Italian joint stock company. After acquisition of the GTS Group, the ALFAPARF Group focused even more on globalization, extending its activity beyond the usual markets. Exports increased to Eastern Europe (Russia, Baltic and Balkan countries, countries of the former Soviet Union), India, the Middle East, and Africa. Production capacity also increased significantly due to reorganization of the plants in Argentina and Venezuela, which were thus able to meet the new needs of those two countries.

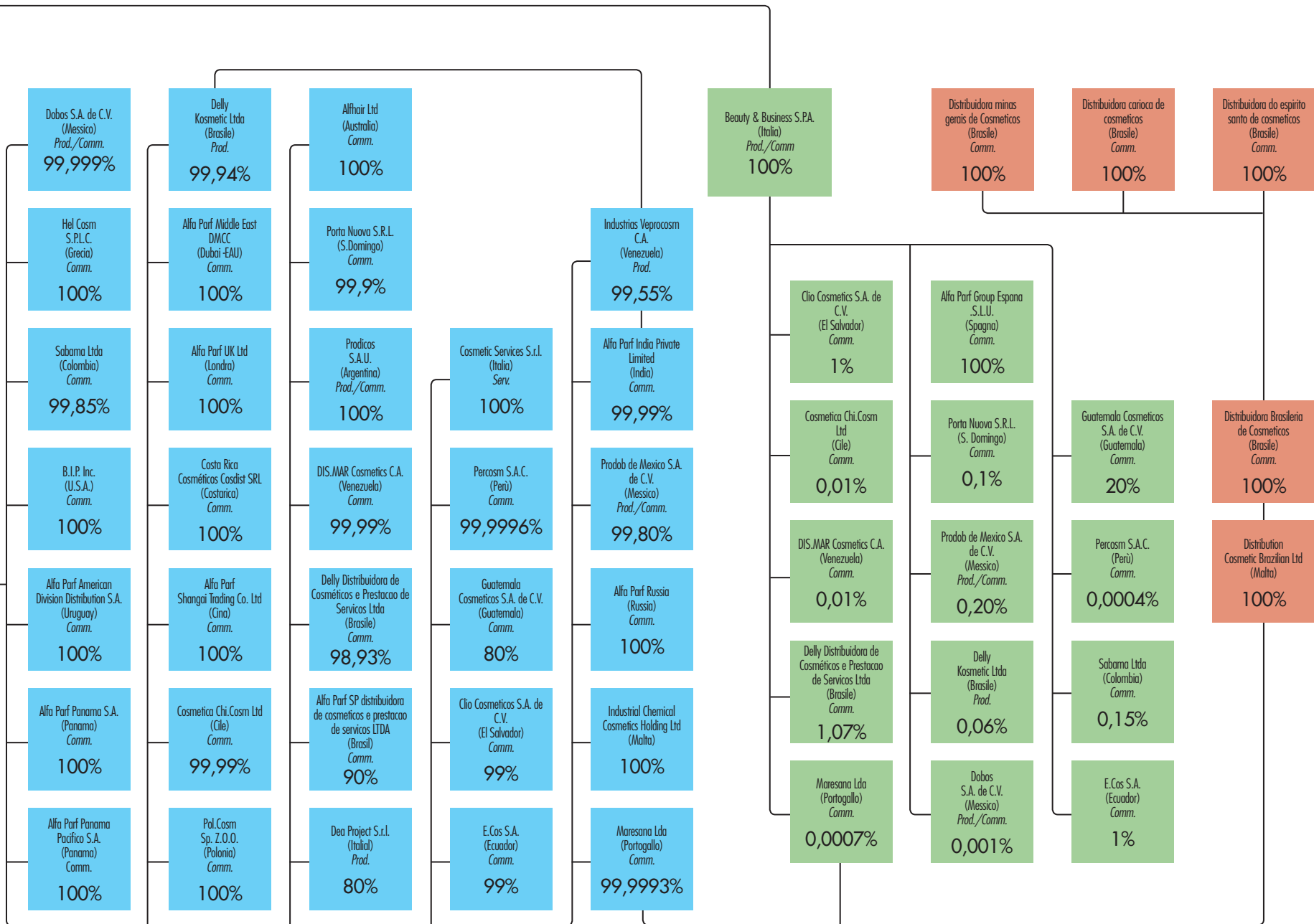
In 2015 the ALFAPARF GROUP, which had always focused on the professional channel, made its debut in Brazil's retail channel with the ALTA MODA E'... (Hair Care) brand, distributed in specialized hair care shops, drugstores, and perfume shops.

Over recent years the Private Label Division has experienced very significant growth, strongly based on the successful research of Group laboratories and the recognized quality of the finished product. While this Division does not work with a specific brand of the Group, it has played a fundamental role in company growth, boosting the ability to innovate and achieve standards of absolute excellence.

ORGANIZATIONAL STRUCTURE

ALFAPARF GROUP is an Italian multinational in the cosmetics industry, made up of multiple companies that share the same goals of quality, excellence and performance, guided by common values and solid know-how.





The Parent Company has adopted a traditional model of Corporate Governance, which provides for a clear separation between the administrative function and the control function. In particular, company administration is handled by the Board of Directors, while the supervisory function is performed by the Board of Auditors. Both organs of governance are elected by the Shareholders' Meeting.

CONSIGLIO DI AMMINISTRAZIONE

ROBERTO FRANCHINA

Chairman

ATTILIO BRAMBILLA

Vice Chairman

COLLEGIO SINDACALE

ANDREA CASAROTTI

Chairman

ALESSANDRO RICCI

Auditor

GIUSEPPE CALDESI VALERI

Auditor

FABIO GALLIO

Alternate Auditor

SIMONE FURIAN

Alternate Auditor

SOCIETÀ DI REVISIONE

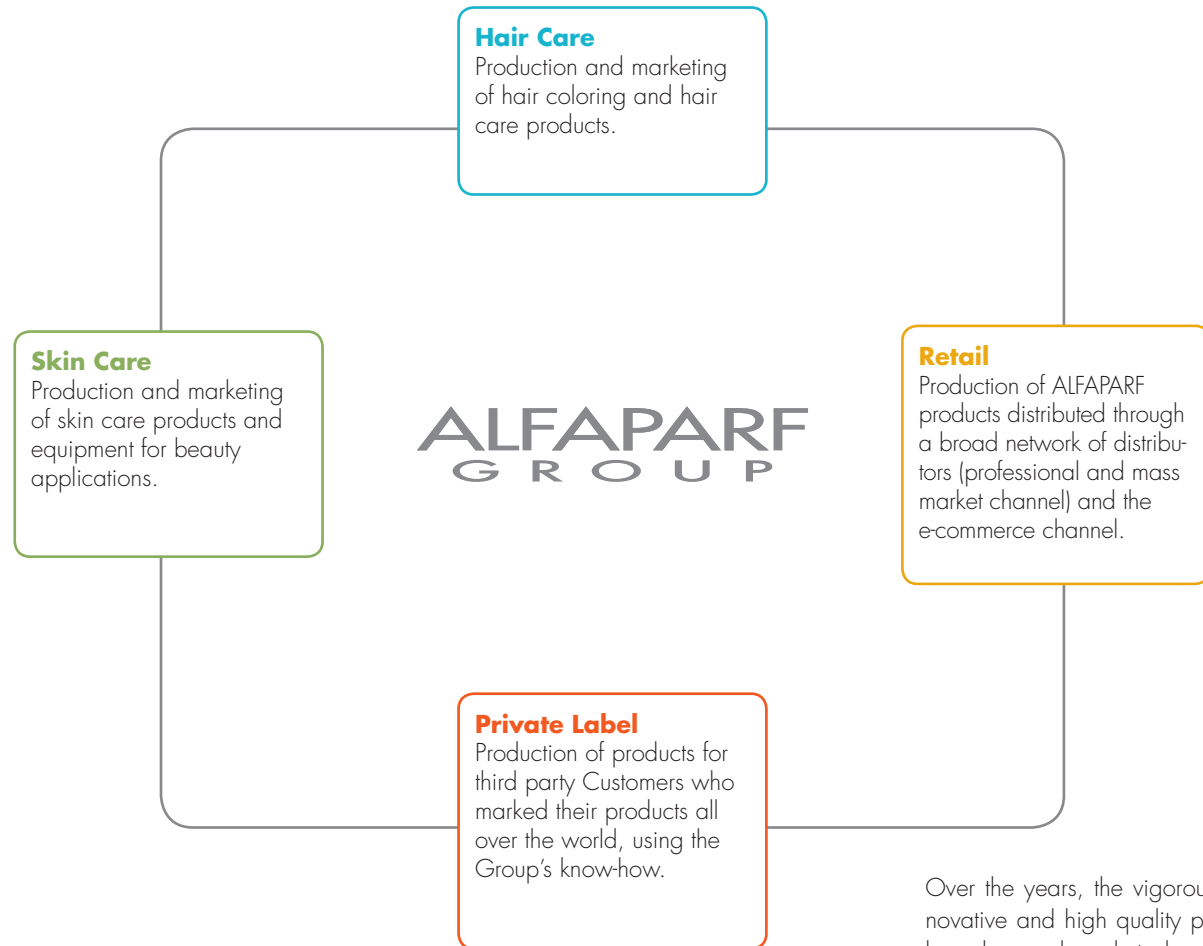
ERNST&YOUNG S.p.A.

Business Activity and Brands

ALFAPARF GROUP operates in hair and body care and bases its growth on solid skills, multiple research activities, and collaboration with international-level hairstylists, who over the years have disseminated its brands all over the world.

Production activity is carried out in plants in Italy, Mexico, Brazil, Argentina and Venezuela; through this widespread presence, the Group can meet various types of distribution needs for different market segments. Its products (in both the professional and the mass market channel) are marketed in over 100 countries through Group affiliates, the network of distributors and importers, and beginning in 2020, e-commerce.

ALFAPARF GROUP's business is divided into four principal Business Units:



Over the years, the vigorous pursuit of innovative and high quality products has allowed many brands to become successful on both the Italian market and abroad: today, in fact, the Group has 11 brands, four in the Hair Care Business Unit and seven in the Skin Care Business Unit.



HAIR CARE

**ALFAPARF
MILANO**

Beauty should be a source of pleasure: this helps to meet other challenges in life. ALFAPARF MILANO expresses a unique, human and independent point of view that comes from its local presence. For 40 years, ALFAPARF MILANO has assisted hairdressers with effective services and products that make their work easier and offer people the ability to express themselves the way they like. ALFAPARF MILANO products offer a wealth of different solutions to meet every need: color, shape, treatment, styling, and a men's line. Everything made with care, based on the ALFAPARF GROUP's philosophy: Italian dynamism, innovation, and openness to diversity.

Alta Moda é...

Launched in Brazil and now distributed in Central America and South America, it was the first ALFAPARF GROUP retail brand. Focused on professional technology, it offers consumer products for hair care and coloring.

YELLOW

Created in Brazil to meet local needs, Yellow is now a professional brand distributed all over the world. It owes its success to formulas that offer an optimal combination of advanced technologies and natural ingredients. A product line that's easy to use with an excellent quality-price ratio.



Il Salone Milano is a brand with a professional (through beauty salons) and retail (through select beauty chain stores) distribution, with an excellent quality-price ratio.

SKIN CARE



un protection that offers a safe, uniform, long-lasting tan. SOLARIUM is the sun specialist at beauty institutes: a wide range of protective products for every need, after sun and tan intensifiers. The brand is distinguished by its high quality, wide range of products and original style.



The beauty secrets of TEN SCIENCE are the result of a fusion of technology and nature that raises the combination to the level of science. A complete, high-performing product range, made with the finest natural ingredients and mixed using advanced technological processes. A brand that makes green minimalism its distinctive trait, including through the selection of ingredients and the low environmental impact packaging. TEN Institutes are the professional location of the brand.



The beauty solution for over forty years: technological innovation, scientific research and experience come together to ensure maximum effectiveness through a customized method and program. DIBI MILANO is the benchmark in professional beauty treatments in terms of quality and innovation.



With almost forty years of experience in the professional beauty channel, ALFA PARF develops and markets latest generation technologies and equipment to meet the modern beauty center's every need. Design, development, production and assembly: everything made in Italy to assure partners the best guarantees of certification and quality.

DECODERM MAKE UP | CARE

DECODERM defies the limits of color through a make-up line that understands the skin and designs the beauty of every woman, while also offering protection. Created through a perfect union of skin care and make-up, it embodies the desire for beauty, color and protection through a combination of formulations that offer treatment, textures, latest generation applicators, and a harmonious range of shades.

BECOS

BECOS has offered high quality face and body products at beauty institutes for over thirty years. BECOS has distinguished itself in the cosmetics sector as a brand that looks to fashion trends and constantly focuses on innovation, using a scientific approach, technology, and the results achieved through the contribution of a team of expert beauticians. BECOS Clubs are where you can find the expertise and customized solutions you need to begin your journey to beauty.

OLOS®

The professional cosmetic, holistic, and sensory response: nature takes center stage at OLOS, mother of the most precious and effective active ingredients for the beauty of your face and body, as well as a source of inspiration for product lines. A brand that looks to the future, where beauty means harmony, balance, and lifestyle.



Responsible Management

231 MODEL

The Organization and Management Model applies to both internal relationships and those with outside partners, with the goal of preventing offenses under Legislative Decree 231/2001.

The decision of ALFAPARF's Board of Directors to voluntarily adopt an Organization and Management Model is part of a broader policy of raising awareness of transparent and sound management, in compliance with applicable law and fundamental principles of business ethics when pursuing the corporate purpose. To prepare it, the Parent Company mapped processes, highlighting sensitive activities, functions and roles directly involved, supplementing existing controls with new tools – such as new operating procedures – that meet requirements and comply with the new ISO provision on analysis and prevention of risks. This Model, including the Code of Ethics, is an integral part of the group of rules, procedures and control systems developed by ALFAPARF, contributing to the creation of an overarching, structured and complete organizational framework aimed at preventing unlawful conduct.

In terms of method, during 2020 as well,

the Supervisory Board audited the Special Section of the Model, in particular through interviews with the parties responsible for the pertinent activities, with a dual goal:

- conduct and obtain an overview of the concrete application of the Model's operating principles
 - verify the presence and/or application of formalized enforcement procedures to manage processes in general and apply the Model's operating principles in particular.
- Since the 231 Model was adopted, 100% of the Italian affiliate's contracts and investment agreements include a note that requires signature of the Company's Code of Ethics and 231 Model. Existing suppliers were informed that the 231 Organizational Model had been adopted, and they were asked to read it.

With regard to the issue of anti-corruption,

a control system exists whose purpose is to prevent corruption or any other significant offense. This system is based on a number of basic control principles, such as "Process Ownership," based on which a specific person must be responsible for each company process, while powers and responsibilities must be clearly defined and recognized.

Training was provided primarily following adoption of the 231 Model, and its content and procedures vary based on the position of the target recipients and the level of risk in the area where they operate. In particular, there are two types of 231 training provided:

- to personnel working in production;
- to personnel working in administrative offices, with a particular focus on top management who helped raise awareness of the issues for the entire structure.

Training, which at the moment is only offered to personnel at the Italian affiliate, is provided periodically, while the Code of Ethics has been translated and distributed to all Staff, including in foreign affiliates.

INTERNAL AUDITING

ALFAPARF's Internal Auditing began in July 2016, through a function start-up. In particular, the Italian affiliate performs the audit for all foreign production and commercial affiliates. The audit regards principal business processes, including:

- Provisioning
- Human resources
- Administration, finance and control
- Logistics
- Quality control
- Health, safety and environment
- Commercial

Once auditing is complete, the internal audit department prepares a half-year report that summarizes the results and valuations assigned – at both the individual and at the Italy/Group process level – for the audits performed. In addition, in order to assess the Internal Control System, during control and mapping, Model 231 control points are also audited within the processes managed by foreign affiliates.

In 2020, before the lockdown due to the Covid-19 pandemic, the following activities were performed:

- preparation of a new Credits and Collections Management Procedure for all Group affiliates in order to harmonize all steps for controlling the process;
- preparation of a new Procedure for Managing Customer Returns, in order to standardize returns classification categories for all branches of the Group;
- Audit & Follow-up of the Ecuador Affiliate;
- Audit & Follow-up of the Peru affiliate

As the Covid-19 pandemic developed, the Audit Plan was supplemented with remote auditing of processes that could be monitored through SAP Reporting – such as Receivables (Italy and Brazil), Provisioning (Italy, Brazil and Mexico) and controls of the materials receiving process (Raw Materials and Packaging).



CERTIFICATIONS

ALFAPARF's mission is to elevate the quality of the service offered by professional operators (hairdressers and beauty centers) by applying an Integrated Management System in order to create synergy, integrate processes, and distinguish their specializations. Thus, the Certifications at the Group's production sites are aimed at applying a proper Quality Management System that ensures the conformity of our products and services. This system was introduced in 2000 at the Italian site and was then shared with all other Group affiliates.

Affiliates in Italy, Brazil and Mexico apply both ISO international standards and Cosmetic Good Manufacturing Practices as required by governmental health authorities (such as GMP – Cofepris and GMP ANMAT). Group companies also follow specific environmental sustainability programs. For example, the production site in Mexico participates in a voluntary environmental certification program (Parque Industrial Limpio Industria Limpia – Profepa) as part of the actions to disseminate and promote Mexico's Federal National Environmental

Program, aimed at protecting the environment. The certifications that the Italian affiliate has received and renewed to manage the organization's various sectors of activity, are:



- UNI EN ISO 9001:2015
Quality Management System (QMS)



- ISO 22716:2007 Cosmetics
Good Manufacturing Practices (GMP)



- UNI EN ISO 13485:2016
Medical Devices - Quality Management System



- Certificazione AEO
(Authorized Economic Operator)
Authorization for AEO customs simplification and safety (AEOF)

Despite restrictions due to the pandemic, during 2020, Group companies underwent and successfully completed audits for renewal and supervision of ISO certifications by accredited bodies, and audits regarding specific ethical, social and health certifications (Ethical and Safety Certification Standard Programmes) at the request of Customers of the Private Label Business Unit and of the ALFAPARF Group.

The Italian site passed audits performed remotely by accredited international organizations based on the following standards: SMETA (Sedex Members Ethical Trade Audit); SEDEX (Supplier Ethical Data Exchange); ELEVATE Lmt.; social audits based on an assessment of the entire organization, the supply chain, business risk, quality, and economic and social sustainability, in order to demonstrate responsible growth and activity programs.

For the future, the Parent Company has set the goal of maintaining and renewing existing certifications and receiving Environmental and Occupational Health and Safety certifications under the following standards:

- UNI EN ISO 14001:2015 – Environmental Management System;
- UNI ISO 45001:2018 – Occupational Health and Safety Management System.



AWARDS AND RECOGNITIONS

In 2020, Pambianco's prestigious classification listed ALFAPARF GROUP in 6th place among listable Italian companies in the beauty sector and in 56th place among all listable companies in the country in the various sectors. The objective of Pambianco's analysis is to identify Italian companies in the Fashion, Beauty, Design and Wine sectors who meet the economic, financial and positioning requirements for successful listing within the next 3 to 5 years. The assessment is based on 8 economic and financial factors drawn from company financial statements over the past three years.

In 2020 ALFAPARF was unable to maintain its position in the annual classification of the online magazine Women's Wear Daily, one of the most authoritative voices in the sector, after being classified among the top 100 largest cosmetics producers in the world for the past four years.

With regard to products, DIBI MILANO #Age Method Crema Impulso di Giovinezza was awarded the prize for best anti-age cosmetic product in China at the prestigious SpaChina Wellness & Spa Awards 2020.



Economic Sustainability

ALFAPARF pays special attention to the ability to generate wealth and work within the local systems where the Group operates, seeking to produce and maintain maximum added value, effectively combining all the resources it uses and taking advantage of specific local products and services.

In particular, the Group feels that a fundamental aspect of its development is the ability to innovate through an increasingly solid relationship with its Staff and Customers, who through training and on-the-job experience significantly contribute to generating new products and improving company performance.

The relationship with suppliers is also very important. ALFAPARF seeks to establish synergy with them by investing in suppliers who best meet the Group's needs, which allows the Group to obtain new added value from the products and services obtained.

Finally, attention to technological investments, both material (machinery) and immaterial (software), actively contributes to guaranteeing company performance over time and supporting its economic development.

Therefore, systemic and coordinated management of the development of human capital, an ongoing dialogue with suppliers and Customers, and investments in technology and innovation help support the organization's medium- to long-term growth, making it solid and sustainable.

Report on Operations¹

TURNOVER AND ADDED VALUE

The Group ends 2020 with turnover of €203.8 million, 16% less than 2019, and with added value of €95.1 million (46.6% for core revenues).

Income statement	12.31.2020	12.31.2019	12.31.2018
Core revenues	203,841,036	243,100,677	236,778,646
EBITDA	39,854,250	44,996,809	53,564,368
EBITDA %	19.6%	18.5%	22.6%
EBIT	20,220,293	33,039,306	26,429,701
EBIT %	9.9%	13.6%	11.2%
Financial charges	-4,038,270	-5,085,209	-4,551,301
Res. before extr. mgmt.	16,182,023	27,954,097	21,878,400
Adjust. financial assets	147,694	-6,216	-2,709,390
Extraor. proceeds/charges	-	-	-
EBT	16,329,717	27,947,881	19,169,010
EBT %	8.0%	11.5%	8.1%
Taxes for the year	7,768,443	14,985,652	7,216,591
Profit (loss) for the year	8,577,528	12,954,913	11,952,415
Profit (loss) third parties	16,254	7,316	4
NET INCOME	8,561,274	12,962,229	11,952,419
NET INCOME %	4.2%	5.3%	5.0%

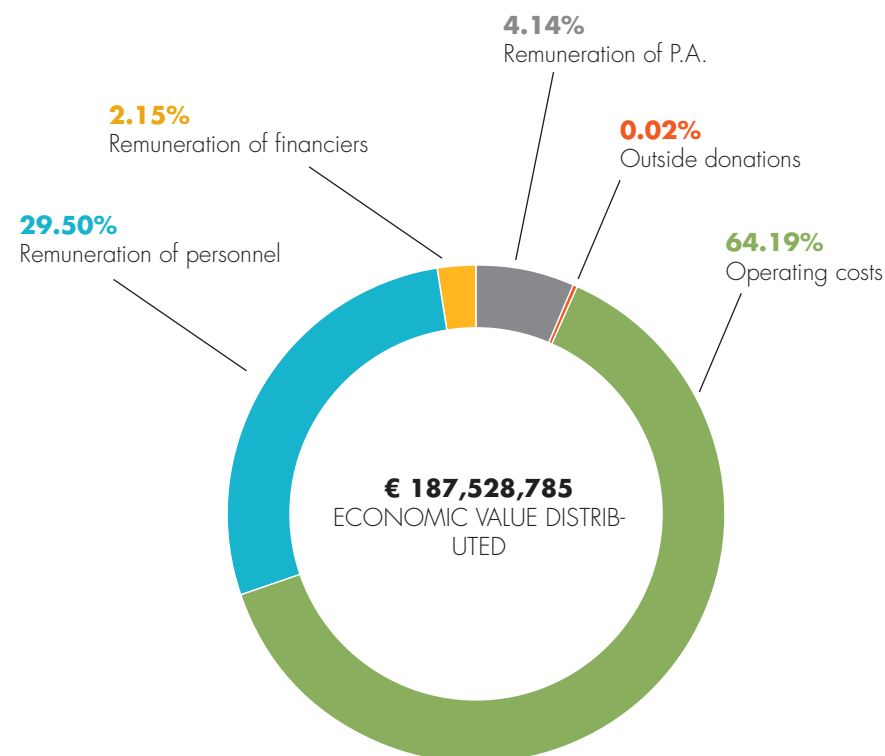
¹ The data reported refer to the Group's consolidated statements.

DISTRIBUTION OF ADDED VALUE

The distribution of added value is the point of contact between the economic profile and social profile of ALFAPARF operations and makes it possible to analyze how the wealth created is distributed within the socio-economic system with which the organization interacts.

Reclassification of income statement	12.31.2020	12.31.2019	Change%
Revenues	203,841,036	243,100,677	-16.1
Other proceeds	2,328,804	3,908,062	-40.41
Financial proceeds	659,189	753,59	-12.53
Total economic value generated by the Group	206,829,029	247,762,335	-16.5
Operating costs	120,377,108	142,332,900	-15.4
Remuneration of personnel	55,311,764	63,118,549	-12.3
Remuneration of financiers	4,038,270	5,085,209	-20.5
Remuneration of the Public Administration ²	7,768,443	14,985,652	-48.6
Outside donations	33,200	59,100	-43.8
Total economic value distributed by the Group	187,528,785	225,581,410	-16.8
Economic value retained by the Group	19,333,444	22,180,925	-12.8

² Remuneration of the Public Administration also includes deferred taxes



In 2020, Economic Value Generated of €206.8 million was mostly distributed to the various stakeholders with whom ALFAPARF comes into contact while doing business, in accordance with cost-effective operations and the expectations of these partners.

Economic Value Distributed of €185 million represents about 91% of Economic Value Generated, which in addition to covering operating costs incurred over the year, is used to remunerate the socio-economic system with which the Group interacts, including Staff, financiers, and the community, considered as donations made.

Finally, Economic Value Retained, 9% of Economic Value Generated, represents total financial resources dedicated to the economic growth and financial stability of the business system.

Suppliers

ALFAPARF GROUP directly controls the entire chain of value: from research and innovation to production, marketing and distribution of its products throughout the world, with a management system that allows it to determine the percentage of expenditure concentrated on local suppliers, as well as the weight and volume of the materials purchased.

2016 was a watershed year for the Provisioning Division. In consideration of the company's continued growth and to best address future challenges, ALFAPARF Management decided to create the Global Provisioning Department, which through a totally dedicated team ensures centralized strategic management of provisioning, guaranteeing transparent control, efficiency, and constant coordination with Local Provisioning Offices at foreign affiliates.

Also implemented was the three-year (2016-2019) KISS project, which led to a profound change in the structure and processes within the function, identifying targets, milestones and the fundamental key points that must characterize the Group's purchases function.

The driving force of this initiative was achieving a proper Total Cost of Ownership (TCO), which made it possible to more effectively and efficiently monitor the process of managing purchases, product quality, and precision in deliveries.

The project resulted in numerous advantages:

- increase in added value by adopting Group best practices (Group benchmarks);
- consolidation of expenses and aggregation of volumes, with consequent economies of scale (in terms of greater discounts based on greater volumes ordered);
- centralization of professional competencies (extension of know-how) and spreading competencies among the various affiliates (Group power);
- creation of synergy among affiliates;
- increase in qualified suppliers and incentives for Group suppliers aimed at improving and standardizing processes.

With the goal of greater transparency and traceability of the entire purchasing process, the Group changed the global purchasing procedure and, thanks to the IUNGO portal³, made it possible to automate order management, evaluate performance of the supply chain, and at the same time constantly monitor the life cycle of said orders.

Through the portal, it becomes possible to make comparisons on multiple levels as well as simulations, to identify and select the best suppliers. Moreover, for each type of order, the actions and feedback required for each business partner can be set up, such as confirmation of quantities and delivery date.

Also, since 2019, for raw materials considered strategic, the "under consignment stock" system was activated, through which goods are stocked in one or more customer warehouses, but remain the supplier's property until the customer removes them. The goods are therefore under consignment at the customer's warehouse, with the customer taking out the quantity of goods they need. The supplier receives data from Customers regarding withdrawals made and thus the goods whose ownership has changed, and handles restocking of the customer's supplies.

The advantages for the customer are lower operating costs and fixed financial assets costs, and no restocking lead time, because the goods are always in their warehouse. It's advantageous for the supplier because less space is needed for inventory, which is stored with Customers, there is more information on the actual status of sales, and they have the security of a long-term order.

Under consignment stock also makes it possible to optimize logistics related to purchasing processes and thus obtain environmental benefits, such as reducing the CO₂ emissions associated with transport.

³ Communication portal between the Parent Company and its suppliers.

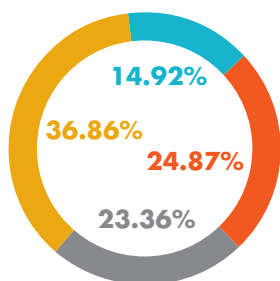
EXPENSE FOR LOCAL SUPPLIERS AND BY PRODUCT CATEGORY

Although the provisioning function is centralized with the Parent Company's Global Provisioning Department, the Group's provisions, with quality, performance and price being equal, come from local business partners.

In 2020, ALFAPARF GROUP had relationships with 775 new suppliers for a total of over €83 million in invoices, of which €71 million (85% of the total) was with local and national suppliers, €6.5 million (8% of the total) with continental suppliers, and €5.7 million (7% of the total) with international suppliers.

ITALY

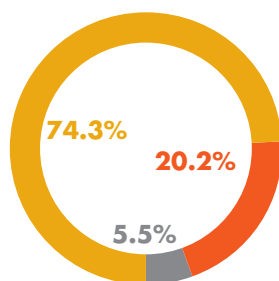
Location	% of total 2020
Regional	63.6
National	21.8
Continental	10.7
Rest of the world	3.9



- Components, equipment, promotional products
- Packaging and packing
- Raw materials
- Other non-codified services and materials

ARGENTINA

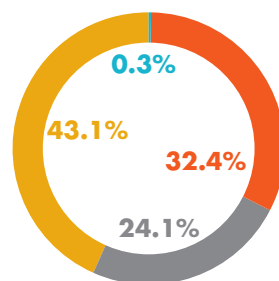
Location	% of total 2020
Regional	83.7
National	2.7
Continental	11.3
Rest of the world	2.3



- Packaging and packing
- Raw materials
- Non-codified services and materials

BRAZIL

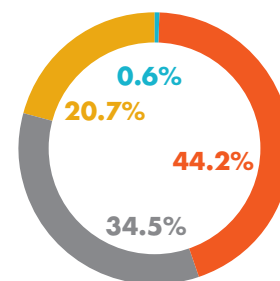
Location	% of total 2020
Regional	44.7
National	42.1
Continental	3.1
Rest of the world	10.1



- Promotional products
- Packaging and packing
- Raw materials
- Non-codified services and materials

MEXICO

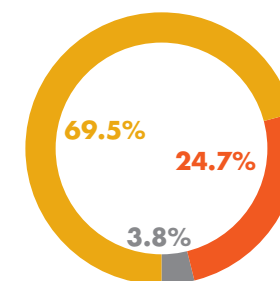
Location	% of total 2020
Regional	35.5
National	47.1
Continental	3.0
Rest of the world	14.4



- Promotional products
- Packaging and packing
- Raw materials
- Non-codified services and materials

VENEZUELA

Location	% of total 2020
Regional	100
National	-
Continental	-
Rest of the world	-



- Packaging and packing
- Raw materials
- Non-codified services and materials

SELECTION OF SUPPLIERS

Ensuring respect for human rights is a very complex and timely challenge: the Italian affiliate fully complies with the 231/2000 Organizational Model, voluntarily adopted in 2016, and in particular focuses on respecting and promoting human rights in its activities.

For this reason, the Group favors and incentivizes commercial relations with partners who share its ethical values and full compliance with local legislation in terms of work standards.

In their business activities, all commercial partners must prioritize respect for people, and must provide a written employment contract and pay social security contributions to all employees, protect the mental and physical well-being of their staff, guarantee respectful working conditions and safe, healthy work environments, in full compliance with current laws on the provision of social and healthcare services, prevention of occupational accidents, and protection of workers.

ALFAPARF GROUP requires the business conduct of its suppliers to comply with all international, national and local laws and contractual conditions and with standards based on ILO conventions and ISO principles on child labor, safety, and anti-corruption.

No supplier is considered if they do not comply with the above; in addition, during the contractual phase, all new suppliers are required to sign the Organizational Model under Legislative Decree 231 adopted by the Group, including the Code of Ethics.

In addition to respecting human rights, in 2020 the Global Provisioning Department also focused on issues related to the environment, quality, safety, and sustainability.

The procedure for qualifying suppliers requires two principal steps upon each first contact (request for offer) with a new supplier:

1. Pre-qualification. A pre-qualification questionnaire is sent, with a series of ethical-social questions, in order to assess the approach to these issues right from the start.

2. Qualification. Once the responses to the pre-qualification questionnaire are assessed, the economic offer is assessed, and before proceeding with the first purchase order, a qualification file must be completed, with a series of technical questions designed to examine the financial position of the individual supplier, the business organization, the certifications in its possession, and its policies and activities regarding sustainable development and safety.

Only after a positive assessment of responses is it possible to begin a business relationship with the new supplier. The objective is to always increase the level of awareness of business partners, including from the ethical-environmental perspective, in anticipation of gradually increasing sustainability projects in partnership with them.



INITIATIVES AND PROJECTS

During 2020, despite the pandemic, the Global Provisioning Department was able to carry out important projects in collaboration with the various company functions and foreign affiliates.

YES WE SHARE

The Yes We Share project continued throughout 2020. Internal videoconference meetings were organized about every two weeks between the Provisioning Offices of commercial affiliates and the principal production plants (Italy, Brazil and Mexico), during which emerging issues and best practices were discussed. For each meeting a contact (champion) was named from within or outside the Global Provisioning Department and was asked to prepare a presentation on a specific subject. The issues addressed can regard the purchases function directly or other company activities.

This project is an opportunity to share, compare and learn as knowledge and skills increase, offering professional and personal growth and strengthening the sense of belonging.

This year there was more emphasis on issues related to sustainability, health & safety, and the environment.

VIDEOCONFERENCES

In 2020, affiliates all over the world were equipped with a videoconference system. The advantages of videoconferences include better collaboration between teams and direct sharing of ideas in exactly the same way as a face-to-face exchange. By nature, a videoconference allows teams to participate from any location, and this significantly reduces air and other travel and permits more closeness and contact with affiliates, resulting in more involvement of participants. In 2020 in particular, these technologies played a primary role in maintaining contacts, as travel was impossible.

GREEN TARGETS

In 2020, regular brainstorming sessions were organized within the Global Provisioning Department, during which every participant was able to propose and share ideas related to sustainability, both for their own product category and for that of colleagues, in both Italy and other countries.

PROMOTIONAL PRODUCTS

The Group has increased its use of sustainable paper since 2020 in order to protect forests. At the Italian site, only FSC shopping bags are used, with plastic solutions no longer considered. As of 2020, only FSC paper is used for flatbed printing as well.

Initiatives and Projects 2021-2022

The economic sustainability initiatives and projects ALFAPARF intends to pursue in 2021-22 essentially involve refining the criteria for selecting suppliers, provision of energy through renewable sources, use of sustainable raw materials, and reduction of single-use plastic.

SELECTION OF SUPPLIERS

Starting in 2021, additional environmental sustainability criteria will be added when screening suppliers, in order to favor companies who show commitment to and awareness of environmental protection. The possibility of requiring official statements from the supplier will be considered, as well as audits of the supplier to verify compliance with environmental requirements.

YES WE SHARE

Starting in 2021, the first ten minutes of every meeting will be devoted to discussing health & safety and environmental and sustainability issues, where Staff in the Global Provisioning Department can talk about experiences and significant company initiatives (HSE & Sustainability ToolBOX).

GREEN TARGETS

Starting in 2021, specific annual green targets will be set for each Staff member in the Global Provisioning Department, based on their role.



Product Sustainability

LFAPARF internally manages the entire production cycle of its lines, including planning, research and development, and production and marketing. This aspect not only guarantees full control in terms of quality, but also is a strong point in executing the policy of product sustainability.

Business strategy is to focus on a high performing, excellent quality product that can satisfy all types of customers, while seeking to minimize environmental impact during the entire production process.

Specifically, in 2020 as well, special attention was focused on the sustainability aspects of packaging and the traceability of materials used in the production process. The Group focused on increasing both the use of recycled and/or recyclable materials in packaging and the use of sustainable ingredients (raw materials from renewable and/or certified sources).



Products and Materials

PRODUCTS

HAIR CARE (AND HAIR COLOR)

The Hair Care Business Unit offers a vast array of products and services that can meet all professional needs for any type of hair: from hair color to styling and more. ALFAPARF even invents styles: it offers products that fix, sculpt and muss, so everyone can express their own personality.

SKIN CARE

The Skin Care Business Unit, with more than 30 years of unparalleled experience in the professional beauty sector, offers products selected by operators getting ready to launch their businesses, through a complete line of exclusive products, developed in-house by research and development laboratories and assisted by training and updating programs. Research on Skin Care products is always aimed at seeking out new trends and innovative and sustainable formulas.

RETAIL

The Retail Business Unit is distinguished by professional technology and high-performance formulas: it offers a complete line of treatments and innovative, multi-faceted colors, to enhance the individuality of every woman at a competitive price.

PRIVATE LABEL

ALFAPARF is also known on the market for being an excellent partner for top quality products, developed together with the customer and for the customer, based on the concept "Custom Made, made to order!"



RAW MATERIALS

ALFAPARF'S approach to the world of raw materials is characterized by extensive research and knowledge of them, in order to ensure that its Customers use raw materials that are recognized to be extremely safe. Sometimes this research extends to a chemical analysis of the raw materials, if the information provided by partners is not considered sufficient.

With regard to classification of the raw materials used in the production cycle, there are numerous fragrances (perfumes) and active principles: these two categories of ingredients are fundamental for the marketing position of the products, and therefore they are usually assigned to one brand in particular, with the result that they are usually not transferable. This naturally increases the distribution channels for these categories in proportion to the development of brands and the Private Label business, becoming an indicator of the development of new items. The following data refer to the total amount of ingredients purchased⁴ in 2020 to produce ALFAPARF GROUP products.

RAW MATERIALS

2020

	Total weight (tons)	Weight of raw materials (tons) from non-renewable sources	Weight of raw materials (tons) from renewable sources	Weight of raw materials (tons) with Cosmos, Natrue, RSPO certification
Additives, preservatives and conditioning resins	2,909.01	1,430.89	1,478.10	27.76
Alcohol	200.79	105.03	95.76	-
Colorants	62.34	62.16	0.18	-
Emulsifiers and emollients fat phase	2,005.52	1,242.47	762.33	589.00
Plant extracts	3.81	3.58	0.23	0.04
Essential oil	0.35	0.13	0.23	-
Active ingredient	104.20	78.56	25.63	3.12
Perfumes	89.51	89.51	-	-
Silicones	124.69	124.69	-	-
Solvents	416.81	399.05	17.76	0.83
Surfactants	1,617.11	1,006.57	610.54	245.65
Other	8.04	8.04	-	-
TOTAL	7,542.18	4,550.68	2,990.76	865.70

In 2020, 40% of the raw materials purchased by the Group to be used in formulations of ALFAPARF and Private Label brand products came from renewable sources. Of these, 29% were also certified (Cosmos, Natrue, RSPO). In particular, for additives, preservatives and resins, the percentage of ingredients from renewable sources exceed-

ed 51% (and reached 61% for essential oils and essences). 77% of emulsions and emollients and 40% of surfactants of renewable origin were also certified. These important results were achieved thanks to the commitment to increasing the amount of sustainable raw materials used by the Group.

⁴As of 2020, to obtain more accurate and uniform data for all production plants, it was decided to consider the quantity of raw materials purchased. Unfortunately, this new data collection method makes it impossible to make a comparison with 2019 and 2018..

PACKAGING

All materials that make up packaging fall under international environmental macro-categories and are considered recyclable at end of life, as established by laws on environmental recycling. All packaging in contact with the product also complies with cosmetics laws and applicable laws in the individual countries where the products are marketed.

The following data refer to the total amount of packaging entering the market in 2020⁵, by macro-category. Considering the diversity of forms, weights, volume and type, an average weight was calculated, then classified based on the material used (plastic,

glass, aluminum, paper/cardboard and corrugated cardboard).

Packaging composed of multiple materials that the consumer cannot differentiate is assigned to the category considered to represent the highest percentage present, based on the weight of the article. For packaging composed of multiple materials that the end consumer can differentiate, the quantities calculated are attributed to two or more categories, based on the material. At the global level, in 2020, packaging (in tons) was 5.5% less than in 2019. Plastic and aluminum both increased by 0.6% from 2019; the material that increased the most

(+38.6% compared to 2019) was glass, while the use of paper and cardboard dropped by 26.5% compared to the previous year.

Also regarding paper and cardboard, in 2020 the percentage of recycled material approached 50%, a significant increase

over the previous year; the percentage of recycled corrugated cardboard went from 23.20% in 2019 to 37.51% in 2020.

⁵ Primary and secondary packaging intended for packages, and packaging used for transport. The calculation does not include articles considered to be accessories or complementary items, such as stirrers for creams, beauty masks, and pouches. Also excluded were wooden pallets used multiple times as a means of transferring finished products between production plants and between warehouses and end customers

MATERIAL	2020					2019				
	Total weight (tons)	Weight (tons) of recycled material	% recycled material	Weight (tons) of certified FSC material (only for paper and cardboard)	% material certified FSC	Total weight (tons)	Weight (tons) recycled material	% recycled material	Weight (tons) certified FSC material (only for paper and cardboard)	% certified FSC material
Plastic	3,062.08	4.40	0.14	-	-	3,042.80	-	-	-	-
Glass	154.00	-	-	-	-	111.05	-	-	-	-
Aluminum	565.73	34.48	6.09	-	-	562.22	-	-	-	-
Paper	1,360.56	665.76	48.93	127.13	9.34	1,851.87	492.50	26.59	158.65	8.57
Cardboard										
Corrugated cardboard	1,763.24	661.74	37.51	-	-	1,738.12	403.32	23.20	-	-
TOTAL	6,905.62	1,358.98	19.68	127.13	-	7,306.06	895.82	12.26	158.65	-

Overall in 2020, almost 20% of the total (in tons) of packaging consisted of recycled material, an increase of almost 8 percentage points compared to 2019.

Also in 2020, ALFAPARF GROUP committed to continuing the "APGreen" project, which has the goal of increasing the use of recycled and recyclable materials in the main packaging categories that the Group handles in the world in three macro-areas:

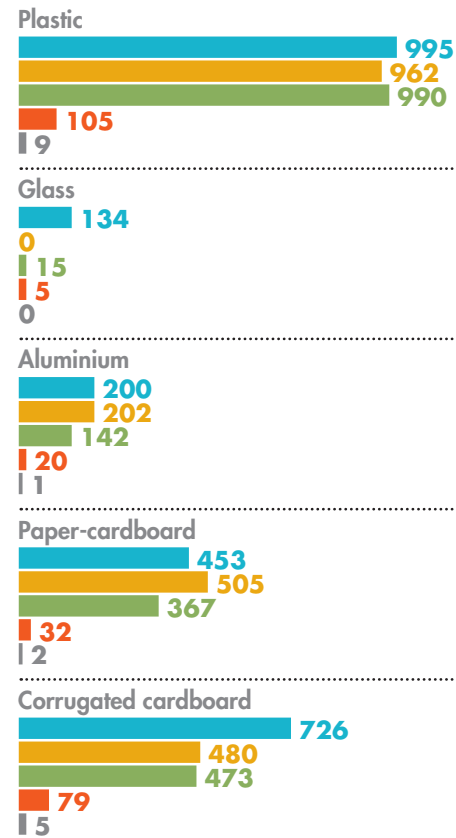
- Aluminum
- Plastic
- Paper and cardboard

Thanks to collaboration between marketing and purchasing in 2020, significant activities were carried out to achieve the business objective of reducing the environmental impact of packaging. Specifically:

- all paper leaflets were removed from all coloring products for brands in all Group plants;
- at the Italian production site, exclusively 100% recycled paper is used for packages of all ALFAPARF brand color tubes;
- at the Italian production site, all ALFAPARF brand color tubes are made of exclusively 100% recycled aluminum; at the Mexican affiliate, a portion of tubes is made of 30% recycled aluminum;
- at the Mexico, Argentina and Venezuela affiliates, ALFAPARF brand color tubes use caps made of 40% recycled plastic (in Mexico a portion of caps are of 95% recycled plastic);
- at the Brazilian production site, all external packaging is exclusively of recycled paper, while at the Italian site it is in FSC paper.

TONS OF PACKAGING MATERIAL BY GEOGRAPHICAL AREA (2020)

- Italy
- Mexico
- Brazil
- Argentina
- Venezuela



Safety and Compliance

Product safety characteristics are guaranteed in two ways:

- compliance with the legal limits published in European law on the use of raw materials;
- verification, through two independent outside studies specialized in cosmetic product safety (toxicology), of the formula used to manufacture the product.

Before entering the market, all categories of products and services developed and marketed by ALFAPARF are subject to an evaluation of their potential health and safety impact, ensuring that the product is safe under normal and reasonably foreseeable conditions of use, indicated through warnings and instructions for use.

In particular, the European Regulation provides two main tests to guarantee cosmetic product safety:

- patch test (skin compatibility test);
- challenge test (preservative efficacy test).

During 2020, no fines or warnings were received regarding the health and safety impact of the products and services offered.



Innovation and Marketing

RESEARCH AND DEVELOPMENT

There are two levers for ALFAPARF's innovation:

- the firm desire to grow and improve;
- the constant search for new products, forms, and cosmetic effects that can leave their mark.

Product development projects are fundamental to discover new ingredients and new methods or approaches to cosmetics that can make a short- and long-term difference, bringing notoriety and visibility to the company and thus opening important new commercial doors.

For cosmetic products, ALFAPARF's approach is to create innovative, top quality, high-performing products. Innovation is also an essential tool for developing business and commercial negotiations with new Private Label Customers, who have always been a powerful engine of growth and improvement for the company, which is a partner they can grow with over time and which can assist them in setting an international path. In the research and development area, it's important to note that aspects of the world of beauty cosmetics are more dynamic than those of trichology, thus requiring constant innovation, which leads to very frequent changes in the various lines, with increasingly high-performing products to satisfy consumer demands and market trends.

From the perspective of product formulation, the company has focused particular attention on the concept of naturalness. During 2020, brand communication on this issue manifested in the use of an objective, well-known international criterion for expressing a product's naturalness, i.e. the percentage of ingredients of natural origin. The group in fact relies on the Natural Index, calculated according to the ISO 16128 standard. ALFAPARF has also taken steps to carefully and strictly monitor natural ingredients from re-

newable sources that have characteristics of sustainability and certifications (COSMOS, NATRUE, RSPO etc.), in order to progressively increase the percentage of these raw materials. In 2020 the first positive results of these steps emerged, with a significant increase in naturally derived raw materials from renewable sources and with characteristics of sustainability.



PRINCIPAL LAUNCHES AND MARKETING ACTIVITIES

2020 was a year full of highly innovative projects, which despite the pandemic greatly accelerated digitalization and sustainability.

HAIR CARE

ALFAPARF MILANO

For the Hair Care Division, 2020 was a year of numerous initiatives in line with brand values, which contributed to solidifying a clear, distinctive and relevant identity and made it even more important as a partner in beauty for our Customers.

The launches and activities plan was reformulated during the year to meet the new needs of professionals and end consumers, who had to manage their beauty routines from home as a result of the lockdown. We thus considered the new business opportunities to offer our Customers, developing products, services and trade initiatives adapted to changed consumer needs and the restrictions due to the pandemic.

We have always believed in beauty as a source of pleasure that helps deal with life's challenges. Thus, our new offerings include accessible services and effective products that seek to make the lives of professionals easier and more pleasant and at the same

time make it easier for people to achieve their personal idea of beauty. This principle proved to be a winning card during the year of the global pandemic.

The very newest thing involved the world of coloring, with the relaunch of COLOR WEAR, the semi-permanent hair color, developed using a totally innovative approach in line with the natural development of the market. The most important innovation in COLOR WEAR is the use of a completely natural alkalizer, arginine, exclusive to ALFAPARF Milano.

In the hair care area, development of a more inclusive approach that can support freedom of expression was confirmed with the success of the new SEMI DI LINO line, dedicated to treating curly hair. The effective formula, combined with a dedicated CURL SPECIALIST training, made it possible to offer professionals every tool for understanding and treating any type of curly hair, even the most unruly.



It's important to emphasize that both projects mark an additional step toward the Vegan philosophy of our product line. All our projects were conveyed through training programs and communication channels. 2020 was a year of transition to digital training, through online seminars, video tutorials and social content, developed daily by our global network of Ambassadors, partners in beauty for hairstylist colleagues.

YELLOW

2020 contained important innovations for the YELLOW brand as well, such as the launch of new shades in the most important line, YELLOW COLOR: COOL NATURALS, a line of cool colors, fundamental for the development of Latin American markets, where the brand is particularly strong. In the treatment area, for YELLOW as well, attention was focused on treating curly and afro hair, with a spare yet complete line. Unique products, full of natural and sustainable ingredients to offer simple and extremely high-performance services, in line with the brand's philosophy. Some of the principle ingredients include mango butter, which is extracted using exclusively renewable resources and minimizes waste production,

and organic baobab oil, from the seeds of hand-harvested fruit, whose revenues finance public works and education for the people who harvest them.

YELLOW was also enriched in terms of education through the new "We Love You" campaign, with a smart and dynamic format to present new color techniques created by international testimonials, "Yellow Lovers," who are real hairdressers like the professionals the campaign targets.

ALTA MODA È...

Despite the difficulties due to the pandemic, ALTA MODA È... continued to innovate by consolidating its position as a quality brand in Latin America. The SUPER SCHIARENTI collection, launched in the color segment, employs Italian professional technology that uses a formula based on coconut oil to offer extra treatment action and maximum protection for hair during coloring.

In the hair care segment, INSTANT SOS was launched, an intensive instant conditioner for daily use offered in a line of three products based on Italian professional technology, using a concentrated vegan formula that reflects the "free from" philosophy.

IL SALONE MILANO

The temporary closure of hair salons resulted in greater consumption of coloring during the year. Those who tried home hair coloring for the first time chose safe and reliable premium brands, a trend that powered the commercial growth of IL SALONE MILANO hair coloring products.

In 2020, updates of the portfolio of offerings continued with the launch of PLEX REBUILDER CARE, a highly innovative line for professional-level home care of bleached, colored and treated hair. PLEX REBUILDER CARE restores capillary structure by redu-

cing split ends by up to 93% compared to hair not treated with the new technology. In 2020, investments continued to increase brand awareness through a digital advertising campaign offering incentives to try the product.



SKIN CARE

In the Skin Care Division as well, 2020 was a year full of new projects and initiatives, with 67 new items.

OLOS

For over thirty years OLOS has been the Group brand most attentive to naturalness, offering wellness and face and body beauty to anyone seeking a modern, mindful lifestyle and cosmetics.

After almost a year of research and careful selection of active ingredients, in January 2020 OLOS launched AGE POSITIVE, which positively modulates the skin's chronological aging process through two actions: it repairs the signs of time, by toning and restructuring the skin, and it protects against external aggressions, by detoxifying and preventing premature skin aging.

AGE POSITIVE is a vegan-friendly line that contains up to 99.14% natural ingredients. The remaining 0.86% is necessary to guarantee the product's olfactory, sensorial and stability features. It's ALFAPARF's first Skin Care line to offer this percentage, based on the Natural Index of the ISO 16128 standard.

The heart of the formula is beech bud extract, a natural and eco-sustainable active ingredient, with oxygenating, anti-oxidant and pro-youth action. This extract acts by increasing oxygen availability at the cellular level, thus creating more available energy for all biochemical reactions of the skin, like the protein synthesis necessary to structure the extracellular matrix.

For the first time OLOS exploits the potential of gemmotherapy, the science of fresh plant buds, a branch of plant therapy that uses the potential of the substances in plant buds and sprouts. Buds are rich in vitamins, polyphenols, amino acids, trace elements and minerals, and according to ancestral beliefs are vessels for two vital forces: cosmic energy, which comes from the sky through the leaves, and earth energy, which comes from the ground and runs through the roots.

This action is achieved through sustainable production, collection and extraction methods, not only at the environmental level, but also at the ethical and social level. The active ingredient is extracted without the use of chemical solvents, but exclusively with water. In this way, higher concentrations of purifying molecules are obtained, with more effectiveness on the skin.

Each formulation is also strengthened by a complex of natural active ingredients, the Tech Pollution Complex, a protective shield against any kind of pollution that threatens the skin.

SOLARIUM

Inspired by the super foods trend (plant-based foods, in particular fruits, vegetables and seeds, that are naturally very rich in nutrients and anti-oxidants and are precious allies for our well-being), in March 2020 SOLARIUM launched a new line, SUMMER PARTY, a biphasic spray sun water you can shake on, ideal for protecting and refreshing the skin during and after exposure to the sun.

DIBI

ACID INFUSION, launched in September 2020, is the first DIBI MILANO line that rejuvenates the skin thanks to its renewing and bioactivating action. A multi-factor face strategy that acts to normalize epidermal renewal, stimulating the renewal of skin tissues and reducing the signs of aging and sun exposure. The line is inspired by medical cytophylaxis, because it revitalizes cells by protecting their functions.

TECHNOLOGY

APG TECH

In October 2020 the family of technologies for Epildream laser hair removal expanded with Epildream High Power 1,200W and 1,400W, two additional technological innovations to ensure even higher quality standards, excellent performance, excellent safety and great comfort. All supported by a multi-level training plan, to provide beauticians with all the skills they need to make use of this technological innovation.

In 2020, in-person initiatives with the sales force and Customers to support launches were forced to a stop due to the lockdown, but continued through digital methods, which proved to be a valuable ally in this difficult situation. Technology and innovation were fundamental in allowing us to continue to provide training, to communicate, and in general to support and maintain contact with Customers. We were proactive and flexible, immediately adapting to the new needs. Training was provided through e-learning, while sales meetings to promote



MARKETING INITIATIVES, TRAINING AND INVOLVEMENT OF CUSTOMERS AND AGENTS

new items were held via videoconference. Despite the situation, all initiatives were carried out with the same enthusiasm and passion as always.

Initiatives and Projects 2021-2022

The initiatives and projects that ALFAPARF intends to carry out in 2021-22 in the area of product sustainability involve ingredients and packaging. With regard to raw materials (ingredients), the Group intends to continue favoring suppliers who provide raw materials of natural origin, from renewable sources, certified RSPO, Cosmos, Natrue, etc.

With regard to packaging, ALFAPARF intends to increase the use of recycled and recyclable materials, eliminate unnecessary elements, and commit to reducing and offsetting CO2 emissions, adopting sustainable solutions for all new projects. Specifically:

- Recycled aluminum for color tubes. In 2021 at the Italian plant, 100% recycled aluminum will also be introduced to the Private Label through ALFAPARF's active promotion of this material to Customers. In 2022, 100% recycled aluminum will be introduced to Mexico;
- Recycled paper for cartons of color tubes. In 2021 at the Italian production site, recycled paper for cartons of color tubes will also be introduced to the Private Label through ALFAPARF's active promotion of this material to Customers.

Where it's not possible to use recycled paper, FSC paper will be offered;

- Recycled plastic for color tube caps. In 2021, 100% of ALFAPARF brand color tube caps will be 95% recycled plastic;
- Recycled plastic for vials and tubes. Recycled plastic (no less than 50%) will be introduced for all types of vials and tubes for the Semi di Lino brand produced at the Italy site;
- Recycled glass for jars. In 2021, jars in the Skin Care OLOS line will be 100% recycled glass;
- Reduction of grammage of vials. Grammage will be reduced for 300ml vials in the Alta Moda line produced at the Brazil and Argentina production sites. The vial will go from the current 32 grams to 25 grams, while the cap will go from the current 10 grams to 6 grams.
- Sustainable external packaging. In 2021 in Italy, all corrugated cardboard external packaging used will be of FSC cardboard;
- Offsetting CO2 emissions. Starting in 2021 for the new Hair Care and Skin Care lines, the CO2 emissions of packaging that cannot be reduced will be calculated and offset.



Environmental Sustainability

For ALFAPARF, a company is sustainable when the business recognizes the intrinsic value of environmental resources, safeguards species biodiversity, protects the health of ecosystems, minimizes the consumption of resources, and mitigates the effects of climate change. To act sustainably from the environmental perspective, the organization has adopted an approach based on two strategic objectives:

- to prevent, control and reduce environmental impact;
- to increase the environmental awareness of Staff and Customers.

To achieve these objectives, ALFAPARF is committed to implementing a series of activities and initiatives:

- define concrete, measurable company objectives to reduce environmental impact;
- implement a system of performance indicators related to the consumption of natural resources;
- develop projects to optimize and improve efficiency.



Energy

In 2020 ALFAPARF consumed a total of 49,537 GJ of energy,⁶ specifically:

- 5,468,747 kWh of electrical energy, of which 27% was from renewable sources;
- 471,709 Sm³ of natural gas and 82,089 liters of GPL for heating, with the latter 77% less than in 2019.

With regard to company mobility,⁷ in 2020 154,610 liters of Diesel, 172,605 liters of gasoline and 1,792 Sm³ of GPL were consumed.

Despite expansion of the scope of consolidation, in 2020 a decrease of 25.3% in the consumption of fossil fuels (heating and company fleet) and 1.3% in electrical energy was reported. In general, the reduced consumption of principal energy carriers is due to the Covid-19 pandemic emergency, which temporarily shut down ALFAPARF GROUP activities, with a consequent drop in consumption. In 2020, despite a 3.1% increase from the previous year in consumption of electricity from renewable sources, the amount of electrical energy from renewable sources of total electrical energy came to 27.64%, a drop of 3 percentage points from the previous year.

As the Italian affiliate is subject to Legislative Decree no. 102/2014, during 2020

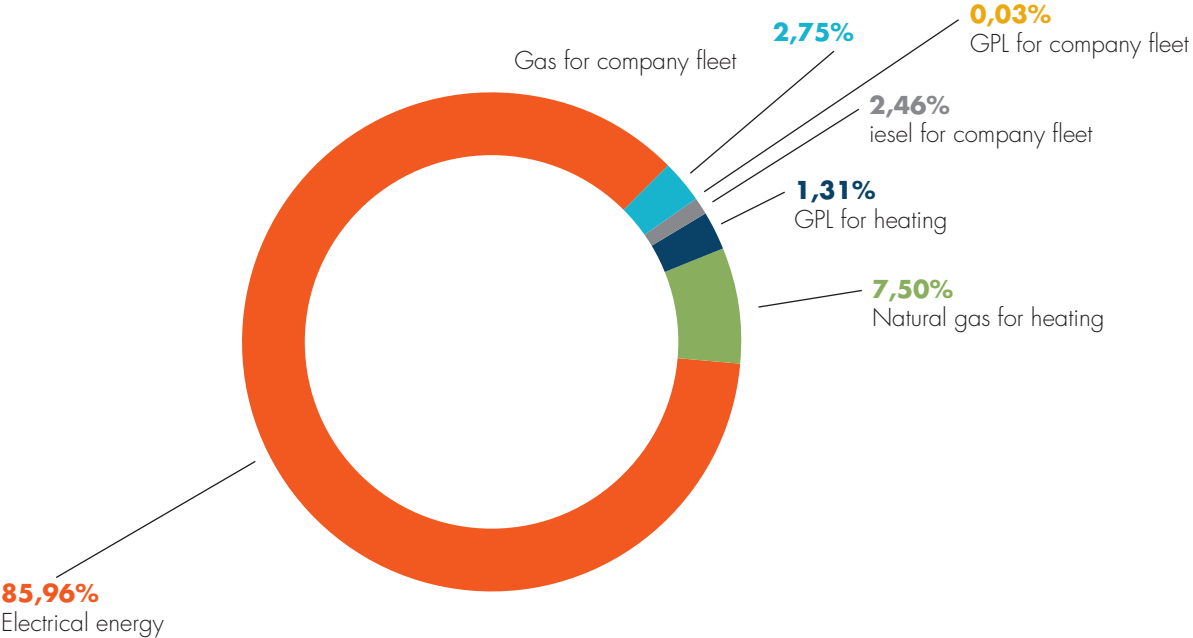
Hydrocarbons	Consumption 2020	Consum. 2020 (GJ)	Consum. 2019	Consum. 2019 (GJ)	Consum. 2018	Consum. 2018 (GJ)	Change 2020-2019	Change 2019-2018
Natural gas (heating)	471,709 Sm ³	16,890.95	379,156 Sm ³	13,576.81	423,018 Sm ³	14,862.31	24.4%	-10.4%
GPL (heating)	82,089.07 Lt	1,995.88	358,184 Lt	8,525	93,083.13 Lt	2,234.09	-77.1%	284.8%
Diesel (company fleet)	154,610.81 Lt	5,563.65	202,893.25 Lt	7,302	129,179.19 Lt	4,652.60	-23.8%	57.1%
Gasoline (company fleet)	172,605 Lt	5,664.79	239,201 Lt	7,859	57,032 Lt	1,660.51	-27.8%	319.4%
GPL (company fleet)	1,792 m ³	43.57	2,020 m ³	48	30.10 m ³	0.71	-11.3%	6.611%
Total		30,158.84		37,810.81		23,409.83	-25.3%	68.2%
Electrical energy	Consumption 2020 (KWh)	Consum. 2020 (GJ)	Consum. 2019 (KWh)	Consum. 2019 (GJ)	Consum. 2018 (KWh)	Consum. 2018 (GJ)	Change 2020-2019	Change 2019-2018
Electrical energy purchased (non-renewable sources)	3,956,934.14	13,936.58	3,837,146.01	13,814.00	3,670,686.00	13,214.50	3.1%	4.5%
Electrical energy purchased (renewable sources)	1,511,814.67	5,442.42	1,703,653.15	6,133.00	1,400,257.00	5,040.92	-11.3%	21.7%
Total electrical energy purchased	5,468,747.81	19,379.00	5,540,799.16	19,947.00	5,070,943	18,255.39	-1.3%	9.3%

a second energy diagnosis was performed, with the goal of identifying a positive pathway, in terms of efficiency actions, that can reduce energy needs and lay the foundation for products that are more sustainable and competitive.

⁶Electrical energy consumption of the commercial affiliates in Costa Rica, Ecuador, Poland and the United States was estimated based on the size of offices (expressed in m²) and number of occupants.

⁷Vehicles in the company fleet.

2020 ENERGY CONSUMPTION



CO₂ Emissions

Given the nature of the business and the focus on environmental protection, the consumption and consequent production of greenhouses gases are constantly monitored.

In particular, in 2020 the production units and affiliates reported in the accounts emitted a total of 3,021 tons of CO₂ equivalent, as follows:

TONS OF CO₂ EQUIVALENT	2020	2019	2018	Change 2020-2019	Change 2019-2018
SCOPE 1⁸ Direct emissions, produced by heating fuels and the company fleet 1.899	2.373	1.461	-20,0%	62,4%	
SCOPE 2⁹ Indirect emissions from energy consumption, associated with the use of electrical energy and district heating	1121	1.381	1.214	-18,8%	13,7%
TOTAL	3.021	3.754	2.675	-19,5%	40,3%

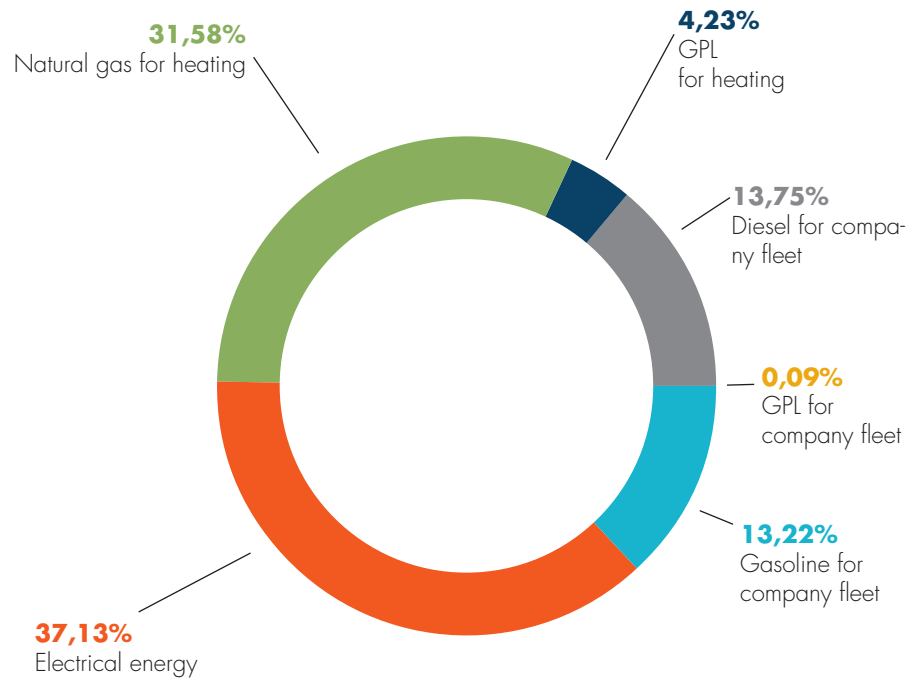
In 2020 there was a 19.5% decrease in CO₂ emissions, primarily due to the pandemic. The supply of electrical energy from 100% renewable sources at the affiliates in Brazil and Venezuela contributed to avoiding atmospheric emissions of 257 tons of CO₂ equivalent.

No emission points at facilities noted any exceeding of the limits reported in their respective authorizations. This was also due to monitoring and control of processes, which made it possible to achieve high standards of performance.

⁸ Direct emissions (Scope 1): emission factors taken from the Defra 2020 database (UK Department for Environment, Food and Rural Affairs), updated annually;

⁹ Indirect emissions (Scope 2): for electrical energy purchased from the national power grid in Italy, the ISPRA emission factor based on TERNA data was used for the Location Based method, last publication available (Emission factors for the production and consumption of electricity in Italy, 2020), while for the remaining countries reported, Terna emission factors based on Enerdata data were used, last available publication (Table of international comparisons, 2020). With regard to the Market Based calculation method, for Italy the ISPRA emission factor based on TERNA data was used, last publication available (Emission factors for the production and consumption of electricity in Italy, 2020), while for European countries, the Residual Mix conversion factors were used, published by the Association of Issuing Bodies (AIB). Finally, for non-European countries for which residual mix factors were not publicly available from accredited sources at the time the document was prepared, the same emission factors applied in the Location Based calculation were used.

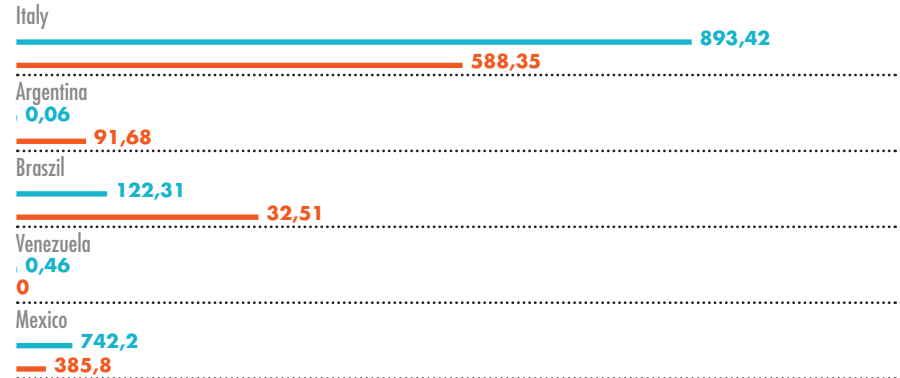
2020 EMISSIONS



2020 EMISSIONS BY SCOPE AND AFFILIATE (IN TONS OF CO₂eq)

● Scope 1 ● Scope 2

Production affiliates



Commercial affiliates



Water

In 2020, the commercial and production affiliates withdrew a total of about 79 thousand cubic meters of water exclusively from aqueducts. In particular, the 3 production plants in Italy, Mexico and Brazil withdrew a total of about 75,381 cubic meters of water, 6.1% less than in 2019.

For the Group, responsible use of water during the production process is of fundamental importance, as the activity of washing tanks containing dyes has a dual environmental impact due to high water consumption and the consequent production of industrial waste water that must be disposed of.

For this reason, at the Italian affiliate, water withdrawal and discharge as well as electricity are monitored through a performance indicator that measures water withdrawal and the equivalent production of waste water compared to the bulk quantity produced during the month.

In 2020 there was a slight decrease (about 6%) in water consumption (withdrawal and discharge) compared to the previous year, from 123,847 m³ to 116,389 m³.

Waste

During 2020, a total of 19,604 tons of waste were produced,¹⁰ including 18,337 tons of hazardous waste and 1,267 tons of non-hazardous waste, a reduction of about 22% compared to 2019. Non-hazardous waste decreased by 25.6%, while hazardous waste decreased by 21.8%. In 2020, hazardous waste constituted 93.5% of the total waste produced; this percentage was practically unchanged from the previous year (93.2%).

With regard to water discharge, during 2020 30,393 m³ of water was directly discharged into the sewer system, about 8.7% less than in 2019. The type of water discharged is principally used for domestic-sanitary purposes; only a portion consists of eluate from inverse osmosis processes. This latter type falls within the limits of current law, with a concentration of chemical substances below the threshold, which allows the organization not to classify these discharges as industrial wastes. In addition, at the Mexi-

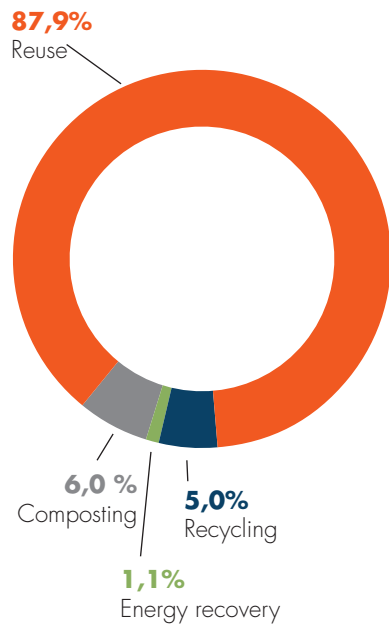
can production site, 6,518 m³ of chemical process water is conveyed to a specialized carrier.

	2020		2019		2018		Change 2020-2019		Change 2019-2018	
	Recovery	Disposal	Recovery	Disposal	Recovery	Disposal	Recovery	Disposal	Recovery	Disposal
Non-hazardous (t)	1,253	14	751	952	419	462	66.8%	-98.5%	79.2%	106.1%
Hazardous (t)	0	18,337	0.3	23,457	1	21,689	-100%	-21.8	-70%	8.2%
Total	1,253	18,351	751.03	24,409	420	22,151	66.8%	-24.8%	78.8%	10.2%

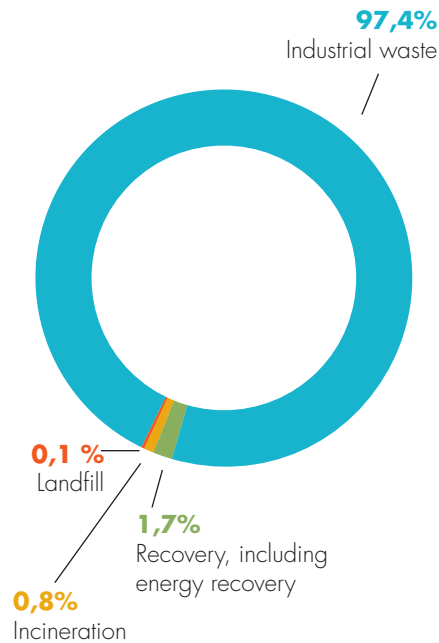
¹⁰ The calculation does not include data from the commercial affiliates of Costa Rica, Ecuador, Poland and the United States, as these affiliates have not created an internal process capable of tracing and monitoring the required data.

Ottimizzazione ed efficientamento

NON-HAZARDOUS WASTE BY TYPE OF DISPOSAL 2020



HAZARDOUS WASTE BY TYPE OF DISPOSAL 2020



As in 2019, the greatest impact is due to disposal of hazardous industrial waste from washing and cleaning tanks, which represents about 91% of total waste produced.

During 2020 at the Italian plant, several projects were completed for the dual purpose of improving the efficiency of production processes while significantly reducing the consumption of certain energy carriers, in particular:

- Temperature controlled mixers: an application was implemented that makes it possible to trace the activities of the mixing process and constantly monitor compliance with the method formulated and plant efficiency.
- New line of colorings packaging: a new line of colorings packaging to handle increased demand from the Private Label market and permit flexibility in managing packaging lines.
- New labeling for ICF008 and Line A: two new labelers were installed on the colorings lines, making it possible to significantly improve the supply of cartons, which went from more than 100 codes per family to a single code labeled in-line.
- Revamping electrical power distribution: this was undertaken to ensure the Business Continuity of operating activities.

- Indoor microclimate: with an increased focus on the well-being of personnel, an automatic air treatment system was installed in offices and common areas of the site.
- Emissions: with an increased focus on the environment, the exhaust system for emissions produced by certain production plants was optimized.

During the second half of 2020, the Italian plant began the process of constructing the Environmental Management System in accordance with UNI EN ISO 14001:2015, but the project was postponed due to the SARS-CoV-2 pandemic

Initiatives and Projects 2021-2022

In the environmental area, the initiatives and projects ALFAPARF intends to carry out in 2021-2022 essentially regard the supply of energy from renewable sources, the use of sustainable raw materials, and the reduction of single-use plastic.

REDUCTION AND SET-OFF OF CO₂ EMISSIONS

As of January 1, 2021, all electrical energy at the Italian production site will be 100% renewable. In addition, by June 2021, 2 electric vehicle recharging stations and plug-ins will be installed in the parking lot of the Italy site, which all company Staff can use for free in order to incentivize sustainable mobility. Also in 2021, for company autos (long-term lease), electric and hybrid autos will be introduced where possible, or else autos with as little environmental impact as possible. Finally, the 2021 CO₂ emissions of the Group's websites will be set off.

REDUCTION OF SINGLE-USE PLASTIC

By April 2021 at the Italian site, hot beverage dispensers will eliminate disposable plastic cups and stirrers, which will be replaced by paper cups and wooden stirrers. By July 2021, dispensers will be installed to provide water from the water supply system, and all Staff will be given a water bottle, in order to drastically reduce the use of disposable water bottles.

INCREASED USE OF SUSTAINABLE MATERIALS

By May 2021 at the Italian site, only recycled paper will be used for printing. Also in 2021, cotton work clothing will be provided from ethical and eco-sustainable cultivations and produced using energy from renewable sources, and by the end of September 2021, all color capes, bowls and brushes will be made exclusively of recycled plastic. Finally, around the end of 2021, toweling paper will be replaced with electric dryers.

Social Sustainability: People

For ALFAPARF, People are an indispensable and fundamental aspect of creating sustainable value over time. It is in fact due to the dedication and professionalism of each Staff member that company objectives can be achieved.

The model of personnel development is based on diffuse leadership, with management strongly involved in advancing its People. Professional development is supported through pathways to growth that combine training and internal mobility (changes in role, company function or local area) with scheduled evaluation meetings – to assess performance, potential, experience and know-how – that help determine the individual's contribution to achieving company objectives, monitor progress over time, and delineate areas for improvement.



Staff Composition

EMPLOYEES BY TYPE OF CONTRACT

	2020			2019			2018			Change 2020-2019	Change 2019-2018
	Women	Men	Total	Women	Men	Total	Women	Men	Total		
Permanent	751	733	1,484	828	842	1,670	777	804	1,581	-11.1%	5.6%
Fixed term	65	44	109	9	6	16	3	5	9	581.25%	77.7%
TOTAL	816	777	1,593	837	848	1,685	780	809	1,589	-5.4%	6.0%
Full-time	799	777	1,576	814	847	1,661	764	808	1,572	-5.11%	5.6%
Part-time	17	0	17	23	1	24	16	1	17	-29.1%	41.1%
TOTAL	816	777	1,593	837	848	1,685	780	809	1,589	-5.4%	6.0%

On 31 December 2020, staff at ALFAPARF's 5 production affiliates and 7 commercial affiliates included in the accounts came to 1,593 employees, with about 80% at the 5 production and commercial affiliates (Italy, Argentina, Brazil, Mexico and Venezuela), and about 20% at the 7 commercial affiliates (Colombia, Costa Rica, Ecuador, Poland, Portugal, Spain and the United States). Staff has decreased by 5.4% since 2019. Of total staff, over 93% of employees are hired under permanent employment contracts; in 2019 this exceeded 99%.

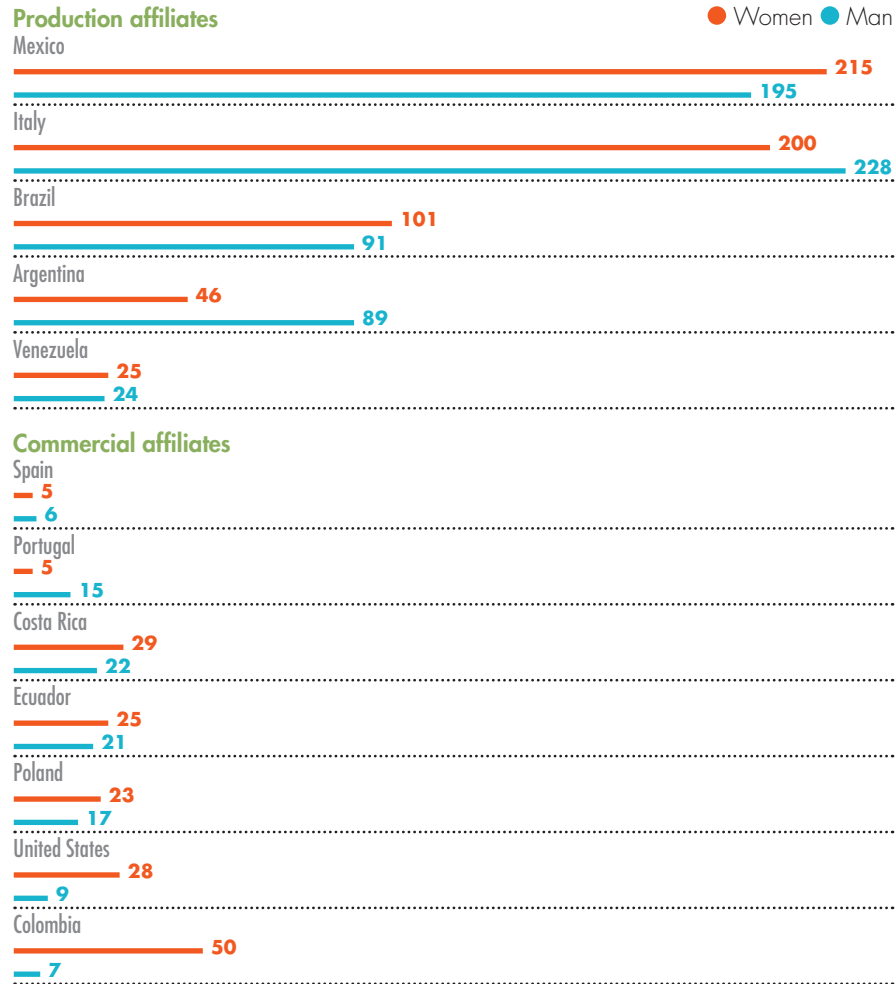
Only 1% of employees, exclusively women, are hired under a part-time contract, in line with the 2019 figure.

Considering the nature of the business and the sector in which the Group operates, staff is homogenous in terms of gender diversity, with women representing over 51% of the total.

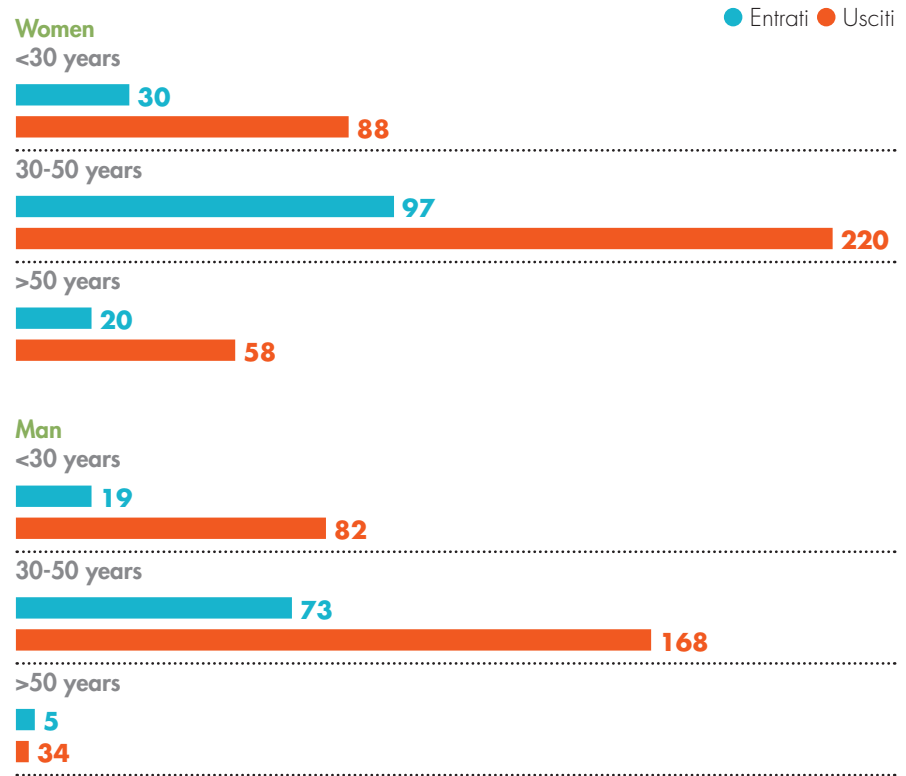
All Group employees are covered by a National Collective Bargaining Agreement (CCNL), governed by individual local legislations. In Italy, employees are governed by four types of contract, based on their duties and category:

- CCNL Industry Managers
- CCNL Service Industry Managers
- CCNL Service Industry
- CCNL Chemical Pharmaceutical

2020 STAFF BY GENDER AND AFFILIATE



HIRINGS AND TERMINATIONS IN 2020 BY GENDER



TURNOVER

2020	Women				Men				TOTAL	Change 2020-2019
	<30 years	30-50 years	>50 years	Total Women	<30 years	30-50 years	>50 years	Total Men		
Number Employees	141	551	124	816	134	488	155	777	1,593	-5.5%
Number hires	30	97	20	147	19	73	5	97	244	-51.0%
Number terminations	88	220	38	346	82	168	34	284	630	45.2%
Rate new hires	21.3%	17.6%	16.1%	18.0%	14.2%	15.0%	3.2%	12.5%	15.3%	-53.1%
Rate terminations	62.4%	39.9%	30.6%	42.4%	61.2%	34.4%	21.9%	36.6%	39.5%	37.9%

2019	Women				Men				TOTAL	Change 2019-2018
	<30 years	30-50 years	>50 years	Total Women	<30 years	30-50 years	>50 years	Total Men		
Number Employees	191	549	97	837	201	505	142	848	1,685	6.0%
Number hires	87	127	16	230	99	136	33	268	498	-0.6%
Number terminations	52	112	23	187	69	138	40	247	434	13.9%
Rate new hires	45.5%	23.1%	16.5%	27.5%	49.3%	26.9%	23.2%	31.6%	29.6%	-4.8%
Rate terminations	27.2%	20.4%	23.7%	22.3%	34.3%	27.3%	28.2%	29.1%	25.8%	8.3%

2018	Women				Men				TOTAL
	<30 years	30-50 years	>50 years	Total Women	<30 years	30-50 years	>50 years	Total Men	
Number Employees	164	527	89	780	188	489	132	809	1,589
Number hires	93	148	18	259	93	124	25	242	501
Number terminations	55	115	14	184	-	110	17	197	381
Rate new hires	56.7%	28.1%	20.2%	33.2%	49.5%	25.4%	18.9%	29.9%	31.5%
Rate terminations	33.5%	21.8%	15.7%	23.6%	-	22.5%	12.9%	24.4%	24.0%

In 2020, in the affiliates subject to reporting, there was a total of 244 new hires (147 women and 97 men). The highest rate of new hires is for personnel under 30 years old; in addition, 21% of hires during the year were women: of these, 20% were under 30 years old.

Apprenticeship is the primary form used for hiring young people: each new hire is assisted by a personal tutor who assists them in a program of integration for the entire trial period and thereafter. Alternating classroom training with specific on-the-job training, the new hire receives the training necessary to perform their role within the company.

With regard to terminations, 630 employees left the company in 2020, 42% of them women, of which 61.5% were employees under 30 years old. In 2020 the turnover rate reached 39.5%.

Diversity and Equal Opportunity

To ALFAPARF, diversity means understanding, recognizing and valuing differences. For this reason, the company is committed to attracting and developing talent regardless of any element of diversity, encouraging anyone who is part of the Group to express their full potential.

ALFAPARF has always been committed to creating a work environment where everyone is welcome, respected, supported and empowered to actively participate in creating value.

The Group has adopted a Code of Ethics, which is an integral part of the Organizational Model, to provide precise guidelines on

conduct that promotes a business culture imbued with the values of integrity and responsibility that characterize the Group's mission. For the organization, respect for the principles of social responsibility is one of the key factors to guarantee the success of its activity. For this reason, ALFAPARF is committed to:

- non-discrimination;
- creating a work environment where personal characteristics and orientations do not result in discrimination;
- guaranteeing equal opportunity in all aspects of professional life.

At the Italian affiliate, an Employee who feels they have been the victim of such conduct has the power to report it to a special commission consisting of the Director of Human Resources, the Director of the Legal Department, and a member of the Board of Directors. The commission will treat the report with the utmost confidentiality, examining the grounds and if necessary taking the appropriate steps.

EMPLOYEES BY GENDER AND CATEGORY

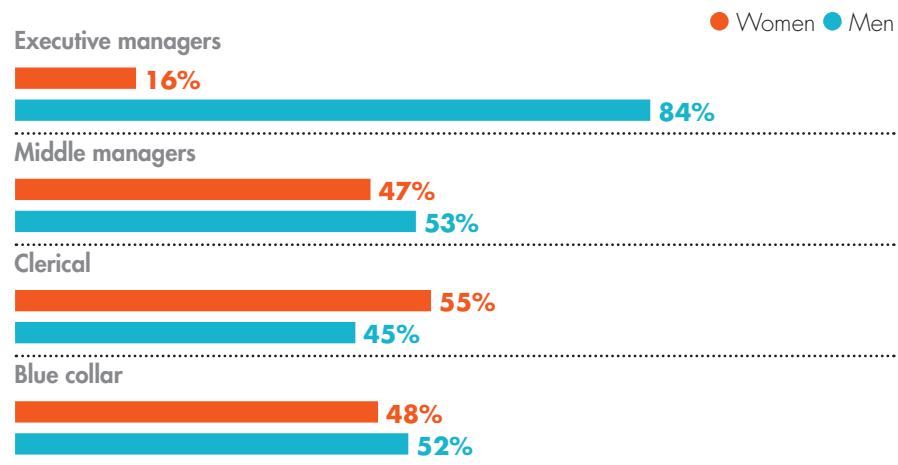
	2020			2019			2018			Change 2020-2019	Change 2019-2018
	Women	Men	Total	Women	Men	Total	Women	Men	Total		
Executive management	8	41	49	6	40	46	8	39	47	6.5%	-
Middle management	68	77	145	54	100	154	55	96	151	-6.2%	1.9%
Clerical	532	431	963	555	477	1.032	458	438	896	-6.6%	15.1%
Blue collar	208	228	436	222	231	453	259	236	495	-3.7%	-8.4%
Total	816	777	1.593	837	848	1,685	780	809	1,589	-5.4%	6.0%
%	51%	49%	100%	50%	50%	100%	49%	51%	100%	6.5%	-



With regard to staff composition by job category, more than 60% of the work force falls under the clerical category, followed by blue collar workers, who represent about 27% of Group Employees.

9.3% of women hold top positions (executive and middle managers); 39.2% of middle and executive managers are women.

2020 EMPLOYEES BY GENDER AND CATEGORY



EMPLOYEES BY CATEGORY AND AGE BRACKET

	2020				2019				2018				Change 2020-2019	Change 2019-2018
	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total		
Executive managers	0	30	19	49	-	30	16	46	-	33	14	47	6.5%	-2.1%
Middle managers	3	100	42	145	8	116	30	154	9	115	27	151	-5.8%	2.0%
Clerical	203	628	132	963	281	626	125	1,032	245	541	110	896	-6.7%	15.2%
Blue collar	69	280	87	436	103	282	68	453	107	318	70	495	-3.7%	-8.5%
Total	275	1,039	280	1,593	392	1,054	239	1,685	361	1,007	221	1,589	-5.5%	6.0%
%	17.3%	65.2%	17.6%	100%	23.3%	62.6%	14.2%	100%	22.7%	63.4%	13.9%	100%	6.5%	-0.02%

ALFAPARF is a young Group with a strong focus on its talent, which is also demonstrated by the fact that more than 80% (82.5%) of personnel at the various production and commercial affiliates are under 50 years old. 65.2% of Staff are between 30 and 50 years old; 17.3% are under 30.

As the Parent Company is subject to the provisions of Law 68/99 (on the right to work of the disabled), the plant has 12 employees in protected categories (6 men and 6 women), including a middle manager, 5 clerical workers, and 6 blue collar workers.

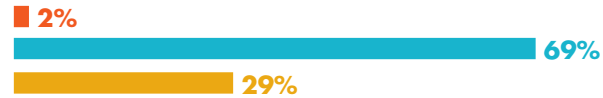
2020 EMPLOYEES BY CATEGORY AND AGE BRACKET

● <30 years ● 30-50 years ● >50 years

Executive Managers



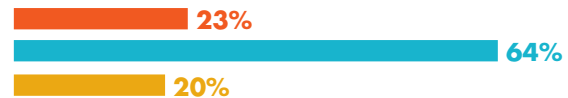
Middle Managers



Clerical



Blue collar



Remuneration and Welfare

With full respect for gender equality, ALFAPARF offers remuneration in line with the market, benefits, and additional incentive systems aimed at both improving people's quality of life and, through a merit system, improving performance and achieving specific goals.

All employees are guaranteed the benefits provided under the CCNL, and, if existing, under the various Supplementary Contracts in force, some of which include:

- life insurance;
- healthcare;
- parental leave;
- complementary pension provisions.

The principal initiatives to encourage a balance between life and work at the Parent Company are:

- flexible hours and support measures for parents, such as part-time work, which interests most new mothers;
- reduction of work hours for factory personnel equal to 2.5 paid hours a week;
- performance bonus for factory personnel;
- free access to the cafeteria for those who want to use it;
- guided visits to the company for employee family members;
- help for employees experiencing economic difficulties.

Human Rights

ALFAPARF regularly provides human rights training in order to promote knowledge of Legislative Decree 231 and provides an exhaustive overview of it; it disseminates the contents and principles on which the Model and the relative Code of Ethics are based; it emphasizes the importance of respecting the rights of the Group's workers, suppliers and partners.

Despite the pandemic, 250 hours of Human Rights training were offered at the Mexican affiliate in 2020. ALFAPARF is also actively committed to respecting, defending and promoting the following principles:

- non-discrimination;
- just and favorable working conditions;
- health and safety;
- zero tolerance for child labor.

All employees are required to know them, follow them and respect them, contributing to their implementation.



Training

ALFAPARF strongly believes that the quality of products is inseparable from the quality, training and growth of its resources. For this reason, multiple avenues for training and professional development are offered.

Training is considered an important and crucial investment, as it combines company growth needs with the professional development of people: through preparation of an annual training plan, the HR department provides guidelines and tools to determine training needs and the consequent training activity. This plan includes:

- managerial training, to develop management skills and techniques, organizational conduct, and leadership;
- training on laws and governance, with an examination of legislation and company rules;
- technical/operational and professional training aimed at acquiring skills related to organizational duties;

- health and safety training consistent with technical-operational activities and specific legal obligations;
- language, marketing, business and IT courses.

In addition to being provided directly by the Group, personnel training is also financed by membership in interprofessional continuing education organizations. In 2020, ALFAPARF employees at the 5 production affiliates (Italy, Mexico, Brazil, Argentina and Venezuela) and the commercial affiliates in Ecuador, Poland, Colombia and Portugal¹¹ included in the accounts received a total of 9,367 hours of training. Most hours were devoted to clerical and blue collar workers, for respectively 7,045 and 1,213 hours of training.

¹¹ The calculation does not include data for Costa Rica, Spain and the United States, as these affiliates have not developed an internal process able to track and monitor the data requested.



As a result of the pandemic, in 2020 personnel in Italy received less than half of the training hours received during the previous year. It is important to emphasize that despite the fact that 2020 was characterized by stringent measures to contain the Covid-19 epidemiological emergency, face-to-face safety courses were regularly held in accordance with the law in force.

AVERAGE HOURS OF TRAINING PROVIDED

2020

	Women	Men
Executive mgmt	7	10
Middle mgmt	6	3
Clerical	7	8
Blue collar	3	3
TOTAL	23	24

AVERAGE HOURS OF TRAINING IN 2020 BY GENDER AND AFFILIATE

Production affiliates



Commercial affiliates



Health and Safety

Safety is the basis for every action, performance, and project of ALFAPARF. Through a process of training and continuing education, constant monitoring and periodic data analysis, ALFAPARF aims to minimize occupational risks, avoiding all conduct that could place the physical safety of its people at risk.

In this regard, two automatic defibrillators have been installed at the Parent Company, and three Staff members have been trained in basic cardio-respiratory support and defibrillation, in order to offer prompt aid to anyone who experiences sudden cardiac arrest.

In Italy, health monitoring is handled by an outside hospital structure that operates in accordance with the laws in force and in collaboration with outside professionals, and includes preventing the occupational diseases workers could contract while performing their duties, due to prolonged exposure to occupational risk factors.

In 2020, due to the SARS-CoV-2 pandemic, guidelines were developed at the various Group sites in order to provide information on specific informational and operating steps to ensure that work can be performed in full compliance with the law in force on preven-

ACCIDENTS 2020

	Italy	Argentina	Brazil	Mexico	Venezuela	Ecuador	Costa Rica	Portugal	Spain	Colombia	USA	Poland	Total
At work	3	4	4	0	0	0	0	0	0	0	0	0	11
In transit	3	1	0	0	0	0	0	0	0	0	0	0	4

ting the spread of Covid-19. ALFAPARF's activities do not involve risks that could cause occupational diseases, but the competent physician is still responsible for establishing the preventive measures and health protocols for risks connected to particular duties and for monitoring any harm to worker health; in addition, when issuing approvals, if necessary the physician establishes limitations and requirements to prevent possible occupational diseases.

At production affiliates, there were 15 injuries in 2020, 9 less than in 2019, none of which resulted in death. At the commercial affiliates, there were no reported accidents (either in transit or at work) that resulted in an injury. With regard to occupational diseases, 4 cases were reported at the plant in Argentina. In all 4 cases this involved contracting Covid-19, which under Argentinian law must be reported to the competent Authority as an occupational disease.

Initiatives and Projects 2021-2022

The social sustainability initiatives and projects devoted to People in the Group that ALFAPARF intends to implement in 2021-2022 regard essentially five areas.

TRAINING

Anticipating general improvement in the Covid-19 pandemic situation, the Group anticipates significant growth in in-house training commitments beginning in the last quarter of 2021.

In particular, a specific training program focused on sustainability issues will be provided, first at the Italian site, and then gradually extended to the foreign affiliates. Specific training courses will be developed for the various company functions/roles, in order to best respond to different requirements and needs.

BALANCING WORK WITH PRIVATE LIFE

In order to facilitate a balance between work and private life, beginning in the last quarter of 2021 – that is after the end of work from home under simplified rules as provided by current law – Italian Staff will be offered to opportunity to work from home 1 day a week.

HEALTH & WELLNESS

In fall 2021, the Parent Company will introduce the “Sustainable Food” project through participation in the MenoPerPiù program, an initiative aimed at supporting companies in promoting healthy food with low environmental impact. Staff will be offered online training courses aimed at increasing awareness of the relationship between food, health, and the climate crisis.

Initiatives will also be undertaken to make the lunch break more healthy and sustainable, in order to protect the health of Staff and of the environment.

HEALTH&SAFETY

Starting in fall 2021, a simplified system will be developed to collect health and safety data and information. This will be implemented in all foreign affiliates, both production and commercial, in order to constantly monitor health and safety aspects at the global level, prevent any problems, promptly intervene if issues arise and develop corrective and improvement actions that can be most suitably adapted to different situations.

COMPANY ORGANIZATION

In spring 2021, a new company position was added – Global Sustainability Officer – with the task of supporting development of the Group’s sustainability policy, by delineating new company processes, actions and initiatives that can reconcile economic objectives with social and environmental ones. The Global Sustainability Officer will also handle implementation of innovative, responsible and sustainable solutions aimed at creating a positive impact not only for the company, but also for the environment, the community, the region, and all stakeholders.



Social Sustainability: Customers

ALFAPARF is at the service of its Customers, with the goal of supporting and assisting their growth in both turnover and technical and artistic skills. The Group thus supplies professional and retail products with high standards of quality, but also provides services, training and consulting to support its Customers.

For the Private Label Business Unit, trade fairs are doubtless one of the main places where the company can interact with customers: here is where the first commercial approach to potential Customers occurs. Thereafter, special meetings are scheduled at the company with the goal of presenting different types of formulas and products that can be customized as needed. In addition, over recent years, traditional face-to-face activity has been supplemented by “virtual” fairs where potential Customers interested in distributing the brands, especially Skin Care, come into contact with the Division.

Involvement with ALFAPARF results in visibility on the market and at fairs: know-how and expertise, recognized at the global level, will continue to draw Customers in search of an industrial partner with high standards of

quality who can support production capacity at the global level, but above all develop and produce quality, high-performing national and international compliance formulas that can support professional services at salons and beauty centers and satisfy end consumers through retail products.

With regard to the Professional Hair and Skin Business Unit, ongoing relations with customers are managed by a network of vendors or single firm agents and a network of distributors with sales force for salons, beauty centers, stores, distribution centers and perfume shops. A commercial classification structure with Sales Managers and Sector Managers completes the organization of this customer contact team.

In addition, to better interact with more Customers and professional prospects, ALFAPARF provides online access, through both social networks and its own platforms, to an increasingly significant portion of its training material: live initiatives on Facebook and Instagram in fact make it possible to multiply points of contact with customers, in addition to the historic contact represented by the agent, vendor, or distributor.

For the Retail Hair Business Unit, in addition to trade fairs, which are a possible way to meet customers, sales are made first and foremost by defining the potential new Customers target, based on matching the positioning of the Customers’ offer with that of the brands offered. Matching of supply and demand normally occurs through a market analysis and a selection of Customer and Retailer channels, and then proceeds through direct contact, where retail products can be offered.

As end consumers are increasingly interested in professional products, and as sales channels in the world are multiplying, ALFAPARF adapts to the particulars of every market in both the products offered and in communication, using its vast portfolio of brands, to adapt its offer to different channels. Today, this is further facilitated through the creation of a Team that is dedicated to Multichannel development and whose purpose is to improve the company’s ability to best respond to the needs of end consumers through brands and products dedicated to them, while best preserving the necessary exclusivity of professional technical products.

The relationship with customers and the network of foreign distributors is handled by the export manager and, for the Skin Care Business Unit, by an export head who directly handles meetings, presentations, orders, and the organization of training activities and promotional events. Everything is always coordinated by the Italian Parent Company. In addition, for foreign Customers, a team of trainers provides the sales support service, technical explanations of products, and organization of local seminars.

Types of Customers and Markets

ALFAPARF has many distinct types of customers, based on sales channel and geographical location. In particular, the principal beneficiaries of the products and services in Italy are:

- beauty centers, hair salons, perfume shops and cosmetic medicine centers;
- multinational companies seeking to complement their current production capacities, whether on the professional or the retail market;
- professional and beauty retailers who sell to either professionals or end consumers;
- end consumers, including through the direct e-commerce channel managed through proprietary apps and websites;
- regional/local distributors who work with beauty centers and local beauticians;
- wholesalers who work with small retailers;
- large-scale retail channels;
- specialized shops that normally resell to small beauty salons;
- distribution companies in the pharmaceutical market.

In the international market, Customers are distributors who work directly with:

- beauty centers or beauty center chains;
- large-scale retail channels;
- cosmetic medicine chains and, in turn, small local distributors.

The multiple sales channels in the Hair Color and Hair Care sector also include beauty outlet chains focused on the end consumer (like Ulta in the USA), on professional Customers (like BSG Cosmoprof in the USA), or hybrids (like most players in Latin America). These players are in fact also developing online and compete with pure e-commerce actors like Amazon or Notino.

Today, ALFAPARF's hair care products are primarily intended for the foreign market – although the Italian affiliate is rapidly growing in terms of both turnover and distribution – through direct affiliates and a network of distributors focused on Eurasia, while for skin and body care and equipment for professional beauty treatments, they are mostly intended for the Italian market, which is primarily handled through a network of single firm agents.

The current Private Label offer is instead aimed at the global market, principally to multinational companies interested in launching globally, and to local Companies near the Group's production sites. Nevertheless, after years of focusing primarily on the professional channel, the Private Label offer is now also dedicated to the retail and mass market. The 2019 acquisition of New Business Retail in fact contributed to further consolidating this new distribution channel.

Increasing sensitivity to environmental sustainability and everything that's eco-sustainable has led ALFAPARF to search for recycled materials, which are in ever greater demand and appreciated by customers; and the rationalization of purchase orders and consequent unification of production orders have contributed to reducing consumption in terms of energy, water and industrial waste.

Customer Satisfaction and Managing Complaints

CUSTOMER SATISFACTION

In general, direct contact with customers is handled directly by the sales network, which notifies the company of any requests and/or anomalies presented, and by a network of Beauty Consultants that responds directly to the customer or reports requests/problems that cannot be handled through ordinary training activity.

Important opportunities for contact with customers include half-yearly meetings to listen, share and present new beauty equipment and new Skin Care products, with about 350 Customers attending each meeting.

In addition, Global Marketing periodically monitors Customer Satisfaction for both customers and end consumers, through quantitative and qualitative market research.

In 2020, the Skin Care Business Unit implemented a structured project in Italy for listening to customers, through a web questionnaire and significant statistical data processing whose goal was to measure satisfaction in the different operating areas.¹²

MANAGING COMPLAINTS

ALFAPARF has adopted the following procedures to manage and monitor complaints:

- COMPLAINTS MANAGEMENT FOR COSMETIC PRODUCTS, governed by ISO 9001, which permits the division of complaints by service complaints and product complaints.
- COMPLAINTS MANAGEMENT FOR EQUIPMENT, governed by ISO 9001 for all devices used in the beauty channel, and by ISO 13485 for medical devices. In addition, an after-sales Complaints Management and Reporting procedure was adopted, whose purpose is to establish methods for providing after-sales assistance for equipment sold on the Italian market.

To manage Customer complaints, there is also a complaints form managed by the various affiliates based on their structure, and in all cases there is an internal verification procedure for complaints, following which the appropriate corrective measures are taken and the Customers are consequently informed.

¹² Quality of the cosmetic product, reliability and effectiveness of equipment, commercial operations, administrative reliability, deliveries and logistics, after-sales service.

Initiatives and Projects 2021-2022

CUSTOMER SATISFACTION

In 2021, the structured customer listening project implemented in Italy by the Skin Care Business Unit will be extended to the Hair Care sector in both Italy and other countries. To collect data, a web questionnaire will be used which will be followed by a statistical report in order to measure satisfaction in the various operating areas.

B2C AND D2C

In 2021, the Group undertook a new strategy of growth and global expansion of e-commerce, with the goal of juxtaposing B2C marketing with traditional B2B, which will allow ALFAPARF to make direct contact with the end customer. The new strategy will above all focus on the potential of e-commerce, through collaboration with professional e-tailers. This strategy is intended to protect and respect the traditional offline channel by finding useful synergies (omnichannel approach).

The Group will also develop direct D2C e-commerce projects (site and/or app) as strategic medium- to long-term projects.



Social Sustainability: Communities

ALFAPARF has always had strong ties to the local areas where it operates, and it pays attention to the needs they express, with a willingness to concretely support local communities in the areas of greatest need, with diverse projects and initiatives and in different ways, including:

- by inviting local enterprises to become part of its supply chain;
- by creating jobs for people in the local community;
- through support for local social initiatives.

In order to better structure the various initiatives, the Italian affiliate decided to establish an internal committee, consisting of an HR Office representative, a representative from the Legal Office, and the General Manager, coordinated by the Vice Chairman.

ALFAPARF's philosophy is to be a good neighbor by contributing to the well-being of the environment and local communities, taking steps to avoid or minimize any negative effects and optimally managing those that prove to be inevitable.

In 2020, the attention and importance ALFAPARF places on social development and the community was above all expressed as concrete aid in fighting the Covid-19 pandemic, through donations to local government bodies, hospitals, associations and non-profits directly involved in handling the emergency.

Support for Initiatives and Projects in the Social, Cultural, Environmental and Health Areas

BEAUTY IN ALL ITS FORMS

Beauty in all Its Forms is a training project focused on young people between 18 and 25 years old with intellectual disabilities, who are given the opportunity to undertake and complete a training program that will allow them to receive an Assistant Hairdresser diploma. The goal is to offer these young people an opportunity to develop new professional skills, improve their personal autonomy, and help integrate them into the employment world.

ALFAPARF launched the project in Brazil in 2013 along with the Brazilian NGO Istituto Meta Social, by organizing two training courses in Rio de Janeiro and São Paolo, each with six young people at a time.

For Italy, ALFAPARF launched *Beauty in All Its Forms* in 2015 in conjunction with various associations, such as AIPD Bergamo (Associazione Italiana Persone Down), AGPD Milano (Associazione Genitori E Persone Con Sindrome Di Down), and La Bussola Dalmine.

During the 2019-2020 academic year, 6 young people were trained and completed the entire cycle of lessons. Unfortunately, the pandemic interrupted the program before their internship and examinations could be completed.

For future years, ALFAPARF's idea is to bring the *Beauty in All Its Forms* project to other Group affiliates in order to give the Project an international scope.

LA FORZA E IL SORRISO

ALFAPARF supports the non-profit *La Forza e il Sorriso*, sponsored by Cosmetica Italia, which organizes beauty workshops for women undergoing cancer treatments, at hospitals and volunteer associations all over Italy.

The goal of the initiative, which does not interfere with medical care and is in no way designed to replace it, is to provide information, ideas, and practical advice for dealing with the side-effects of treatment: the workshops are aimed at all women who don't want to give up their beauty, helping them to regain their sense of well-being and self-esteem.

DATA FOR LA FORZA E IL SORRISO

- 13 years of activity (since 2007);
- 57 facilities in Italy;
- 29 supporting cosmetic enterprises, representing 34 brands;
- 4,000 beauty workshops held;
- 18,000 women involved;
- 500 volunteers (beauty consultants and hospital staff).

DYNAMO CAMP

Dynamo Camp is a Recreational Therapy camp that offers vacation and recreation opportunities for children with serious chronic diseases and their families. The Camp, located in Oasi Dynamo, an oasis affiliated with the WWF in the province of Pistoia, offers activities and workshops using the Recreational Therapy method with assistance from qualified staff. ALFAPARF supports *Dynamo Camp* through both donations and trade operations aimed at increasing the project's visibility. In 2020 ALFAPARF made a donation and gave equipment to 650 Customers in order to maximize the visibility of *Dynamo Camp* (displays to communicate the goals of the project, pouch for vials, window stickers and dedicated shopping bags).

BERGAMO SCIENZA

Bergamo Scienza is a science festival that has been held in Bergamo every October since 2003. It offers a series of meetings, conferences, shows and workshops throughout the province of Bergamo, with the goal of popularizing science.

For several years ALFAPARF has supported

the association *Bergamo Scienza*, whose goals are:

- to create a new popular science culture that can spread knowledge to young people in particular;
- to generate driving interest and growth in a culture of development based on knowledge;
- to guarantee a method of popularization based on cultural independence and availability to everyone.

ALFAPARF decided to support this Association to familiarize people with cosmetic chemistry and make it more understandable to everyone, through direct experience guided by a simple, practical approach.

FONDAZIONE ACCADEMIA CARRARA

The *Accademia Carrara* is an art gallery in Bergamo that contains over six hundred fine works of art representing a period of five hundred years, from the early 15th century to the late 19th century. It includes the principal Italian schools as well as northern European paintings from Flanders and Holland. The *Fondazione Accademia Carrara* manages this important artistic heritage.

ALFAPARF has supported the *Fondazione Accademia Carrara* since 2017, with the goal of making the gallery's works known within the Company as well, through initiatives benefiting its personnel.

In the past, we have co-sponsored the exhibition of several extremely fine and interesting works.

AMBASCIATORI DI DONIZETTI

The *Ambasciatori di Donizetti* project was created with the support of the Teatro Donizetti of Bergamo. ALFAPARF decided to support this project in 2017 to provide concrete assistance to renovation and remodeling of the Theater, and at the same time support the entire Bergamo community in the collective effort to nurture the great tourism potential of the Theater and the works of Donizetti. In addition, ALFAPARF constantly collaborates with the Foundation in order to support various cultural initiatives at the theater and in the city of Bergamo.

ITS NUOVE TECNOLOGIE DELLA VITA

The *Istituto Tecnico Superiore per le Nuove Tecnologie della Vita* (ITS Technical College for New Life Technologies) is a highly specialized post-diploma technical school and the only higher technical institute in the chemical field in Italy. The *Istituto Tecnico Superiore per le Nuove Tecnologie della Vita* trains professional technicians in technological areas strategic for economic development and competitiveness, particularly in the chemical, cosmetic, biotechnological, pharmaceutical, nutraceutical, environmental, and polymer/elastomer fields.

The goals of the *Fondazione Istituto Tecnico Superiore per le Nuove Tecnologie della Vita* are:

- to continuously provide highly trained technicians to fill positions that meet the needs of the public and private work world in the production sectors;
- to support the integration of instruction, training and work systems, particularly technical-professional centers, to spread technical and scientific culture;
- to spread technical and scientific culture and promote the technical professions with young people and their families.

ALFAPARF has supported *Istituto Tecnico Superiore per le Nuove Tecnologie della Vita* since 2017 by actively participating in classes (our Staff act as instructors) on cosmetic formulation, and organizes and provides raw materials and equipment to support educational workshops, when possible inviting groups of young people to visit our laboratory and our production site.

ALFAPARF decided to support *Istituto Tecnico Superiore per le Nuove Tecnologie della Vita* to inspire young high school graduates to follow a solid, professional educational path.

PMG GUARANTEED MOBILITY

PMG Italia SpA is a benefit corporation whose goal is to direct resources and public and private sector needs towards one objective: guaranteeing better mobility for the weakest members of the community, including the disadvantaged, the disabled, and the elderly. Making it possible for people to move and thus actively participate in society in fact meets a fundamental human need for contact and relationships and bridges the divide between people.

Since 2019 ALFAPARF, has supported this project, sponsoring a vehicle that the Mu-

Initiatives and Projects

2021-2022

municipality of Osio Sotto needed to transport disabled persons, take the elderly to local hospitals, and for the Municipality's social services.

EVIBILITY

Evbility offers Municipalities free eco-sustainable mobility solutions based on the new technologies of electric vehicles and fast recharging stations.

Through *Evbility*, the municipality provides citizens with electric vehicle recharging stations, offering incentives for green vehicles that do not emit CO₂, showing respect for the environment and the quality of life of citizens. ALFAPARF sponsored the electric vehicle recharging stations of Osio Sotto in 2014, 2017 and 2020.

COVID-19 EMERGENCY

Since April 2020, the ALFAPARF Group has supported local Municipalities (Osio, Dalmine, Vaprio, Bergamo), the Policlinico San Marco di Zingonia, the Italian Red Cross and the Regional Scholastic office with donations of sanitizing gel, hand cleansers, and sanitizer dispensers. For this purpose, in 2020 APG donated about 15,000 hand sanitizer gels and about 80 sanitizer dispensers located in public structures.

With regard to social sustainability projects dedicated to Communities, in 2021-2022 ALFAPARF intends to continue supporting the initiatives and associations that the Group has supported over recent years and to identify new initiatives and associations where it can offer a concrete contribution.

DONNE IN RETE CONTRO LA VIOLENZA

For 2021, ALFAPARF decided to devote particular attention to the serious problem of violence against women, which has recently increased exponentially, due in part to the lockdown, with victims finding it more difficult to seek help. The Group decided to support the *Associazione Nazionale D.i.Re. Donne in Rete contro la violenza*, created in 2008.

This is the first national Italian association of non-institutional anti-violence centers operated by associations of women. The *D.i.Re.* network includes more than 80 Anti-Violence Centers and Women's Shelters, which over more than twenty years of work have supported thousands of women in leaving the cycle of violence and regaining their freedom.

D.i.Re. intends to draw attention to the methods and activity of the Anti-Violence Centers in the country through initiatives aimed at providing information about the problem of violence, by developing research projects, with the goal of reflecting on experiences and providing ongoing, widespread training for the Centers and the country.

The Group also intends to cooperate with associations that work to help women who are victims of violence in other countries where ALFAPARF affiliates are located.

COVID-19 EMERGENCY

With regard to the Covid-19 emergency in particular, ALFAPARF will continue to support local municipalities, healthcare facilities, and volunteer organizations directly working to contain the pandemic, through donations of sanitizing gel, hand cleansers and other necessary materials.

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	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Back cover
	102-54	Claims of reporting in accordance with the GRI standards	11
	102-55	GRI content index	81-84
GRI 103: Management approach 2016	103-1	Explanation of the scope of consolidation for each material topic	11
	103-2	Management approach and its components	26-27; 31; 35; 39; 42; 45; 51; 54-56; 59; 63; 67; 69; 72-73; 77
	103-3	Evaluation of the management approach	26-27; 31; 35; 39; 42; 45; 51; 54-56; 59; 63; 67; 69; 72-73; 77
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	36
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	34
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	During 2020 there were no violations of Model 231 and no actions were taken or sanctions imposed; in addition, no incidents of corruption were found.
GRI 2019: Tax	207-1	Approach to tax	The Group is committed to transparent disclosure of its tax approach as of the next year.
GRI 301: Materials 2016	301-1	Materials used by weight or volume	41-43
	301-2	Recycled input materials used	42
GRI 302: Energy 2016	302-1	Energy consumption within the organization	52-53
GRI 303: Water and effluents 2018	303-3	Water withdrawal	56
	303-4	Water discharge	56
	303-5	Water consumption	56
GRI 305: Emissions 2016	305-1	Direct (Scope 1) greenhouse gas emissions	54-55
	305-2	Energy indirect (Scope 2) greenhouse gas emissions	54-55

GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	56-57
	306-2	Management of significant waste-related impacts	56-57
	306-3	Waste generated	56-57
	306-4	Waste diverted from disposal	56-57
	306-5	Waste directed to disposal	56-57
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	There were no cases of non-compliance with environmental laws and regulations at any Group production plants.
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers who were screened using environmental criteria	In 2020 no suppliers were screened using environmental criteria.
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	61
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	66
GRI 403: Occupational health and safety 2016 and 2018	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	69
	403-3	Workers with high incidence or high risk of diseases related to their occupation	69
	403-10	Work-related ill health	69
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	68
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	63-65
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	No cases of discrimination were reported in 2020.
GRI 412: Human rights assessment 2016	412-2	Employee training on human rights policies and procedures	In 2020, at the Mexican production affiliate only, 250 hours of human rights training were provided to 16 employees. In all other affiliates included in reporting, no specific training was provided

	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	26;35
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	In 2020, the Italian affiliate entered commercial relationships with 775 new suppliers, all screened under ethical-social criteria.
GRI 416: Customer health and safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	44
GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	44
	417-2	Incidents of non-compliance concerning product and service information and labeling	During 2020, no reports were received from any health authority concerning product labeling.
	417-3	Incidents of non-compliance concerning marketing communications	Over the past two years, the company has received no reports of non-compliance concerning marketing communications

Table of Cross-References

The GRI Topics and scope of real and potential impact generated and/or incurred by the organization are reported below for each material issue.

AREA	MATERIAL ISSUES	GRI STANDARD OF REFERENCE	SCOPE OF IMPACTS	
			INTERNAL	EXTERNAL
Sustainable Governance	Prevention of corruption	205-3	Group	Suppliers Bodies and Institutions
	Transparency	307-1 417-2 417-3	Group	Suppliers Customers Investors Bodies and Institutions
	Relationships with governments, public authorities and public administration	-	Group	Bodies and Institutions Community
	Fair competition	206-1	Group	Customers Investors
Economic sustainability	Solidity and profitability	201-1	Group	Investors Customers Suppliers Community Bodies and Institutions
	Supply and provisioning chain	102-9 102-10 204-1 308-1 414-1	Group	Suppliers Investors Customers
	Markets served	102-6	Group	Investors Customers Suppliers Community
	Taxation	207-1	Group	Bodies and Institutions Community Investors
	Resilience Diversity, equal opportunity and	-	Group	Customers Suppliers

Social sustainability	Inclusion	405-1 406-1	Group	Community Investors Customers Suppliers Community
	Human rights	412-2 412-3	Group	Bodies and Institutions Investors Customers Suppliers Community
	Health and safety	102-8 102-41 401-1 401-2 403-2 403-3 404-1	Group	Bodies and Institutions Investors Suppliers Bodies and Institutions
	Well-being and balance of work and private life	401-2	Group	Community Bodies and Institutions
	Human capital	404-1	Group	-
	Privacy	418-1	Group	Bodies and Institutions
	Development of local communities	413-1	Group	Community Customers Suppliers
	Involvement of local communities	413-1	Group	Community Customers Suppliers
	Product sustainability	Health, safety and customer satisfaction	416-2	Group
Research and development		301-1 301-2	Group	Customers Suppliers

	Marketing and communication	417-1	Group	Investors Customers Suppliers Bodies and Institutions
	Quality	416-2	Group	Customers Suppliers
	Brand reputation	417-1	Group	Investors Customers Suppliers Bodies and Institutions
Environmental sustainability	Water	303-3	Group	Customers Suppliers Community
		303-4		
		303-5		
	Waste	306-1	Group	Customers Suppliers Community
		306-2		
		306-3		
		306-4		
		306-5		
	Energy and atmospheric emissions	302-1	Group	Customers Suppliers Community
		305-1		
305-2				

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