



SUSTAINABILITY
REPORT
2022

ALFAPARF
MILANO

SUSTAINABILITY
REPORT

2022

ALFAPARF
MILANO

TABLE OF CONTENTS

4 LETTER TO STAKEHOLDERS

6 HIGHLIGHTS 2022

8 ALFAPARF MILANO

29 GOVERNANCE

45 FINANCIAL CAPITAL

57 INTELLECTUAL CAPITAL

63 PRODUCTIVE CAPITAL

81 HUMAN CAPITAL

97 NATURAL CAPITAL

109 SOCIAL AND RELATIONAL
CAPITAL

124 APPENDIX

LETTER TO STAKEHOLDERS

Alfa Parf Group continues its sustainability journey again this year as it publishes the fifth edition of its Sustainability Report. This edition consolidates the progress made in previous years, including the new acquisitions of 2022, reaffirming that the Group will continue on the path towards sustainability with conviction and determination.

The year 2022 confirmed the signs of recovery already seen in 2021, and despite the well-known international tensions (from the war in Ukraine to raw material shortages, from rising energy costs to global supply chain difficulties), the Group's growth trends significantly continued, laying the foundations for the future.

It was also the year of two important acquisitions in Italy, with the entry of Tricobiotos (an Italian company specialising in the production and marketing of cosmetic products for hair care and beauty) and IV San Bernard (a leading company in the field of animal cosmetics) into the Group, further increasing and differentiating the Group's scope and offer.

Alfa Parf Group's sustainability journey continued in 2022 following the four main drivers identified in previous years: Sustainable Governance, Economic Sustainability, Environmental Sustainability and Social Sustainability.

From the point of view of Governance, we continued on the path traced last year, confirming and reinforcing the model aimed at spreading a culture of Sustainability within the Company and aimed at promoting the integration of Sustainability into the strategies and management of all the Group's activities.

Already mentioned above in relation to the Group's growth, its Economic Sustainability is seen in the increase of results in terms of turnover and profitability, as well as in acquisitions. From the point of view of Environmental Sustainability, we cannot fail to emphasise the move towards the use of renewable energy sources: as of 2022, not only four of our seven sites use 100% energy from renewable sources, but also others two now use over 80% renewable energy. We also continued with our Environmental Sustainability education activities, including the Environmental Week organised by our Colombian office.

As far as Social Sustainability is concerned, 2022 saw the Italian headquarters obtain certification as a Dislexya Friendly Company after a major project that included reviewing and adapting key internal processes to ensure that they were in no way discriminatory towards people with SLD. Social Sustainability activities were also carried out in many other countries where the Group is present, including the "A Different Christmas" initiative organised by our Argentine office in favor of hospitalised children, and the "Yellow New Star Program" organised by the Panama office in cooperation with a local foundation to train and develop the potential of girls detained in the Cecilia Orillac de Chiari Women's Rehabilitation Center, giving them a chance when they return to freedom.

In the first quarter of 2023, Fondazione Alfaparf was also established. Fondazione Alfaparf, strongly linked to the values of the Group, was created with the aim of pursuing goals of solidarity, social utility and human promotion in favor of disadvantaged categories, as well as to enhance art and culture. Fondazione Alfaparf will therefore promote a series of social, cultural and solidarity initiatives in the territory of Bergamo, nationally and internationally.

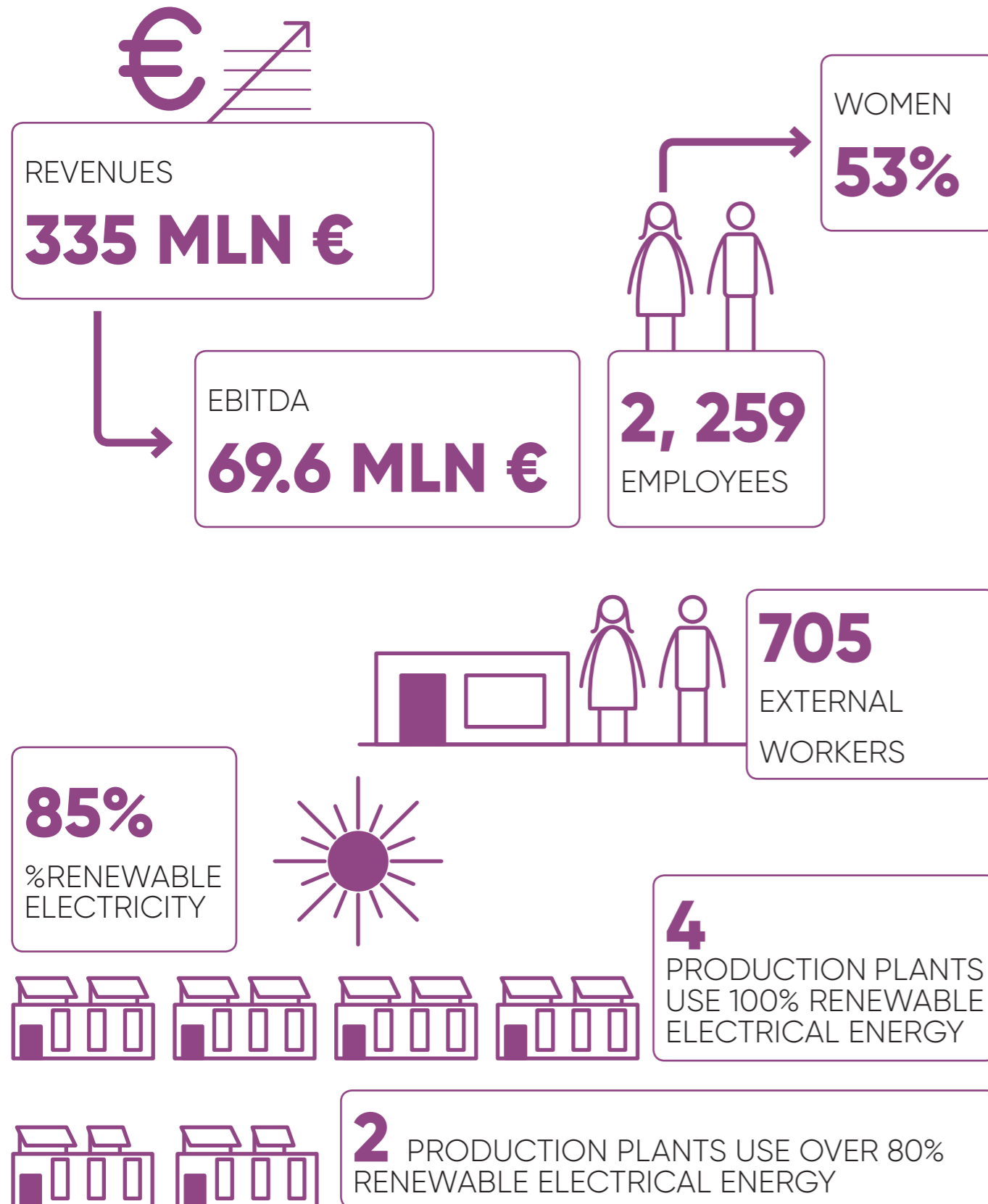
All of these activities and initiatives have also had an appreciable response outside our company: we were again confirmed as a Sustainability Leader in 2022 in the ranking compiled by Statista for *Il Sole 24 Ore*, and we were awarded Best Managed Company 2022 in the fifth edition of the Best Managed Companies Award organised by Deloitte Private.

We can thus continue our journey with pride and renewed energy, seeking to always do better and actively contribute to the creation of new models of responsible business which are capable of generating shared value in the long term, while respecting and protecting the environment, people, ecosystems and communities.



Roberto Franchina
Chairman
of Alfa Parf Group S.p.A.

HIGHLIGHTS 2022



The Italian House of Beauty

Alfaparf Milano is the brand company of Alfa Parf Group, a multinational professional cosmetics company with strong Italian roots, which develops, manufactures and distributes hair and body products as well as cosmetic machinery.

The Group has seven production plants: 3 in Italy, the other 4 in Mexico, Brazil, Argentina and Venezuela, and distributes its products all over the world, directly (through 27 branches) and indirectly through third-party distributors.



ALFAPARF MILANO



ABOUT US

VISION

"Knowing people to understand the market"

We imagine a world in which, through the products and services of Alfaparf Milano, each person can experience beauty in their everyday life and thus achieve well-being and happiness.

MISSION

"Spreading beauty and making a difference in the lives of our customers, starting with small things"

Our mission guides our daily work and, to achieve it, we always keep four pillars in mind.

Product Performance

We aim to create innovative products, services and technologies and constantly improve quality

Agility

We respond proactively to market developments by providing solutions quickly and effectively

Territory

We combine the uniqueness of Made in Italy with the needs and ideas coming from all over the world

Sustainability

We implement concrete actions to reduce our environmental impact and protect people's rights

VALUES

"To bring beauty into the lives of our customers"

The management of the business and the work of our employees in achieving company objectives are driven by a strong system of values.

- **Excellence:** as in the best tradition of Made in Italy, we aspire to quality excellence and perfection in every detail, integrating concreteness and imagination.
- **Agility and courage:** we are not afraid to take risks to find our way and we do so by eliminating unnecessary complications in favor of speed of execution.
- **Openness:** we move forward with our eyes, ears and hearts wide open, being especially attentive to understanding the different sensitivities of the people with whom we come in contact.
- **Integrity and responsibility:** as stated in our Code of Ethics, we embrace the values of integrity and responsibility towards Alfaparf people, stakeholders, the community and the environment.
- **Passion for beauty:** the sector in which we operate is unique and multifaceted, unleashes imagination, creates positive experiences and helps people feel better in everyday life.

#ALFAPARFPEOPLE

From our roots as a family business, we have learned to keep people at the center of our universe and to cultivate authentic relationships with those around us, our #alfaparfpeople: Employees, Customers, Hairstylists, Beauticians, Suppliers and Partners.

OUR HISTORY

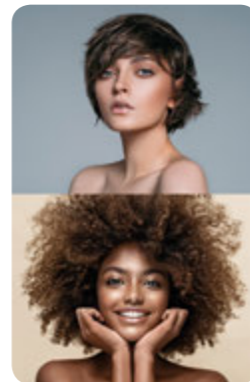


Roberto Franchina establishes the company Alfaparf S.N.C., which produces and markets professional products for hairstylists. The ALFAPARF brand is born.



Between the end of the 1990s and the early 2000s, Alfaparf confirms its position as a reference point for the European market and expands its borders, inaugurating production sites in Brazil, Mexico and Venezuela, and opening several sales branches in Latin America, United States and Australia.

The Private Label project begins, allowing the Group to exploit its know-how to acquire additional market shares, especially in coloring products, serving large third-party brands.



Alfa Parf Group has been pursuing a globalisation strategy, extending its export activities to Eastern Europe and Northern Europe (Russia, the Baltic, Scandinavian and Balkan countries), Africa (Tunisia, Morocco, Egypt, Senegal, South Africa) and Asian countries (India, Malaysia, Indonesia and the Middle East), making the Group increasingly international.



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

Alfaparf Milano launches its first sustainable haircare brand: BENVOLEO. Benvoleo is the professional brand that brings to the haircare world a sense of transparent, responsible and participatory beauty, and that is proudly Made in Italy.



1980

1989-1990

End of the 1990s

2002

2008

2009

Since 2010

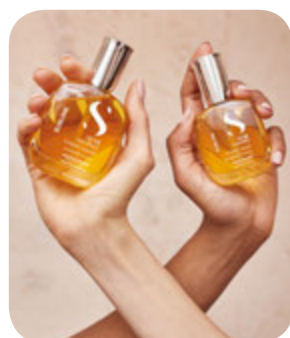
2015

2021

2022

2023

Following the consolidation of production in Italy, the SEMI DI LINO (falaxseed) line was launched, closely followed the next year by the launch of the permanent coloring line EVOLUTION OF THE COLOR.



Alfa Parf Group is established. This international group, with wholly Italian capital, becomes a leader in its reference market, with a turnover of around € 60 million, of which over 80% was generated abroad.



Thanks to the acquisition of GTS Group S.p.A., Alfa Parf Group enters the market for the production and distribution of professional cosmetics and machinery used in beauty centers, becoming, in terms of size, the first wholly Italian-owned professional cosmetics company.



The path of globalisation does not only concern geographical boundaries but also market boundaries and, in 2015, Alfa Parf Group entered the retail market in Brazil thanks to the "ALTAMODA È..." brand with a line of hair care products distributed in stores, retail chains, para-pharmacies and pharmacies.



Alfa Parf Group, a brand that encompasses all the Group's brands, becomes Alfaparf Milano thanks to a rebranding activity and a new corporate identity. The Group's positioning is also strengthened by the acquisition of the majority stake in Tricobiotos S.p.A., specialised in the production and marketing of professional hair products, and of the company Iv San Bernard S.r.l., leader in the development and marketing of cosmetic products for animals.

BUSINESS MODEL

The Group's business model, aimed at creating value for all its stakeholders through a strong and widespread presence in the reference markets, is based on four Business Units: haircare, skincare, Tech and Private Label.

HAIRCARE

Hair coloring and care products and marketing through a network of direct agents and distributors operating in professional, retail and e-commerce channels.

SKINCARE

Skincare and make-up products and marketing through a network of direct agents and distributors operating in professional and e-commerce channels.

TECH

High technology "Made in Italy" at the service of beauty. Guaranteed design, functionality and safety. In-house research and development for state-of-the-art technologies.

PRIVATE LABEL

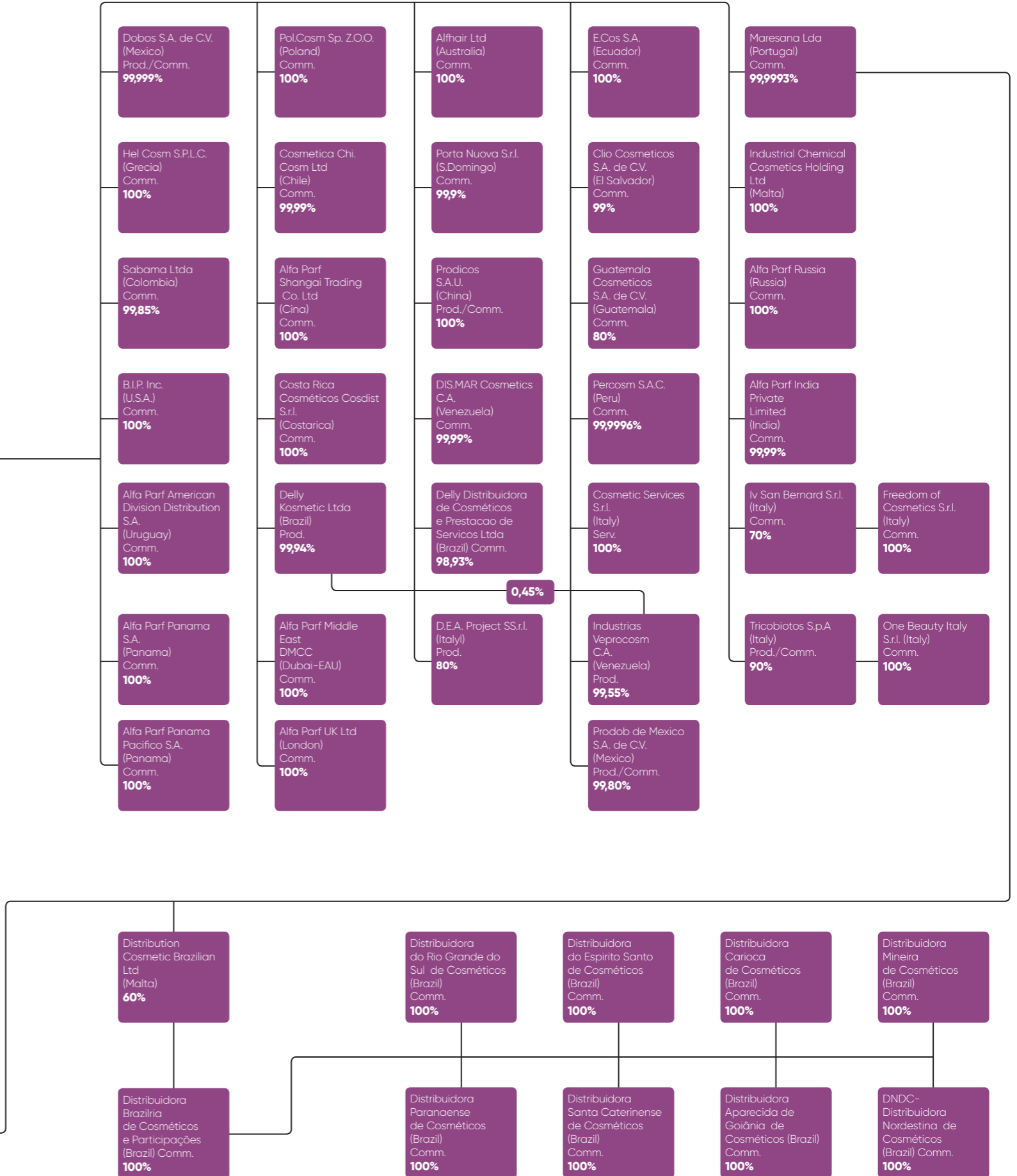
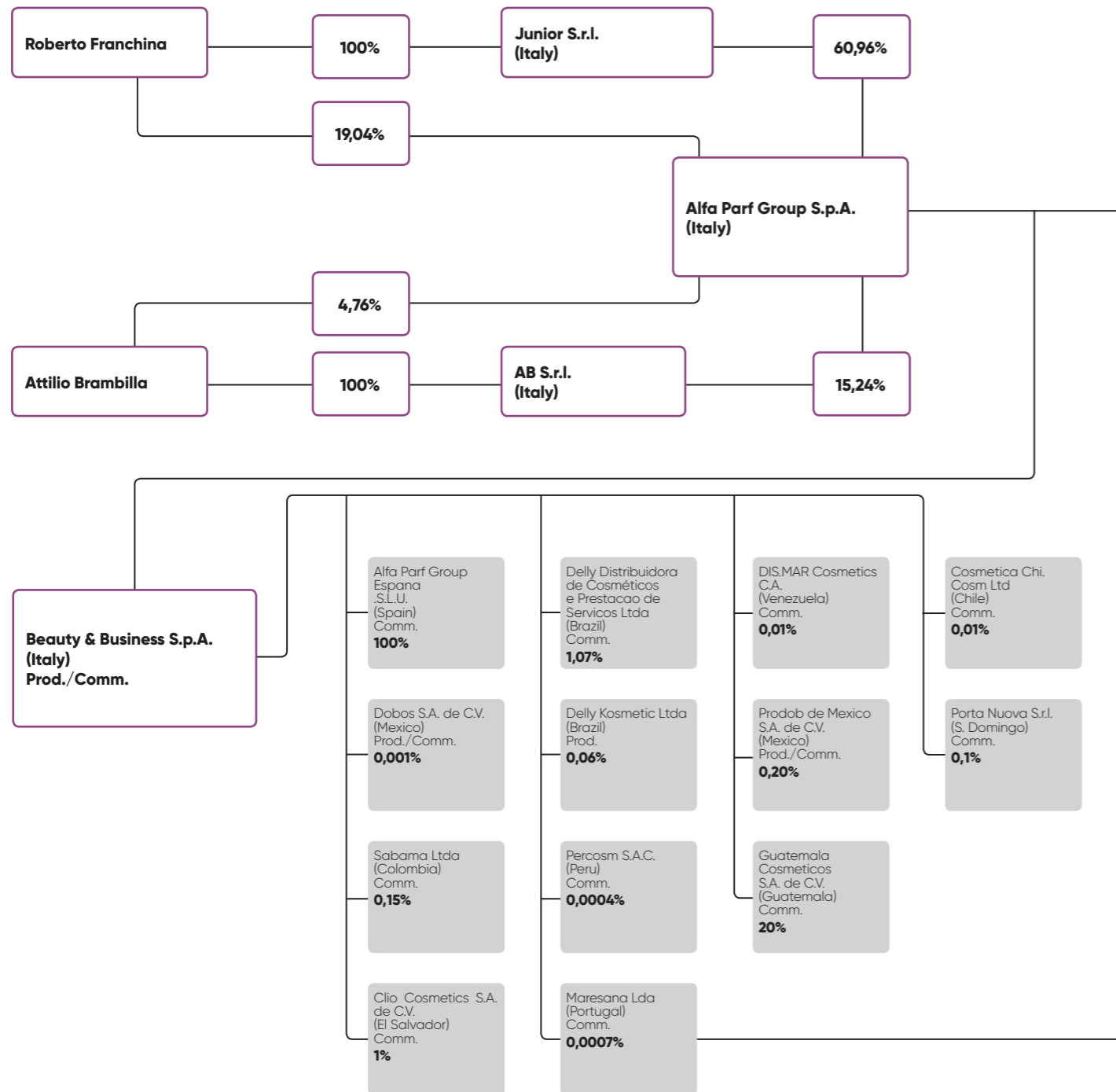
Development of products for third-party customers who market them worldwide using the Group's expertise and know-how.

The two extraordinary acquisitions that took place in 2022 have allowed the Group, on the one hand, to increase its market share and consolidate its positioning in the professional haircare sector and, on the other, to diversify its offer, entering the professional pet cosmetics market, a fast-growing international sector.



ORGANISATIONAL STRUCTURE

Alfa Parf Group S.p.A. is an Italian multinational company in the cosmetics industry, consisting of multiple entities that share the same objectives of quality, excellence and performance, driven by common values and solid know-how.





In 2022, two new companies joined the Group. In June 2022, 70% of Iv San Bernard S.r.l., the best-known international operators in cosmetics for pets and the first company in the world certified for the compliance of Safe Pet Cosmetics® products is acquired, while in August 2022, 90% of Tricobiotos S.p.A., specialised in the production and marketing of professional cosmetic products for hair care and beauty, is also acquired.

This is a clear sign of the Group's plan to expand by diversifying its offerings, entering new high-growth markets, especially international ones, on the one hand, and expanding its product and service offerings on the other, thanks to business synergies that will further boost the Group's growth in the haircare sector.

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

Shareholders' Meeting

The Shareholders' Meeting of Alfa Parf Group S.p.A., the Group's holding company, is responsible for deciding on the most important matters, approving the financial statements, appointing the Directors, the Statutory Auditors and the Chairman of the Board of Statutory Auditors.

Board of Directors

The Board of Directors of Alfa Parf Group S.p.A. is appointed by the Shareholders' Meeting and has the task of strategically guiding the Group by making the most important decisions regarding the management of its member Companies, the direction of the business and the exercise of control and performance monitoring activities.

Roberto Franchina – Executive Director and Chairman

Attilio Brambilla – Executive Director and Deputy Chairman

Board of Statutory Auditors

The Board of Statutory Auditors has the task of supervising the activities of the Directors and ensuring that the management and administration of the company are carried out in compliance with the law and the Articles of Association.

Andrea Casarotti - Chairman

Alessandro Ricci, Giuseppe Caldesi Valeri – Standing Auditors

Fabio Gallio, Simone Furian – Alternate Auditors

Auditing company

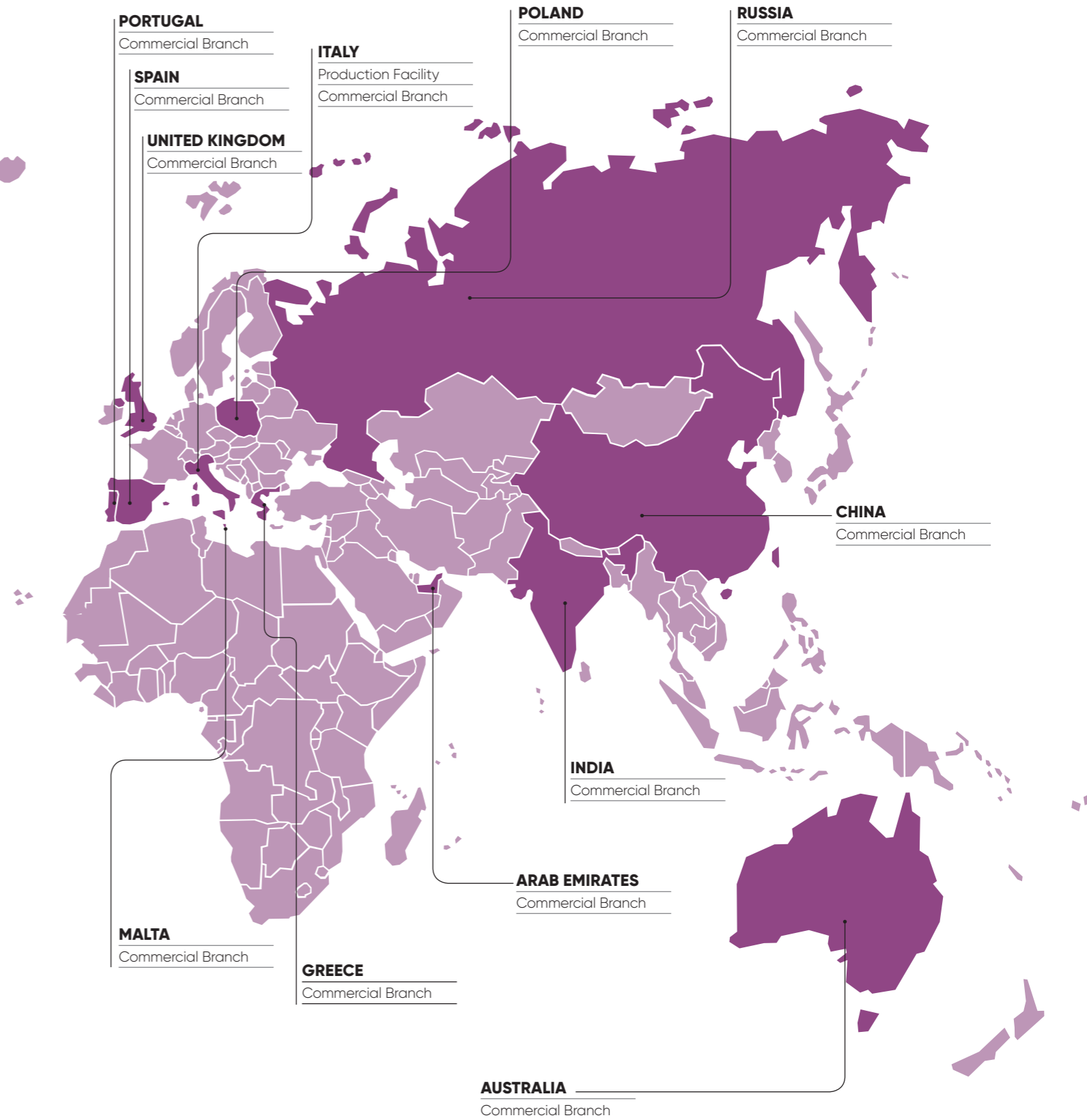
The Auditing Company is responsible for carrying out the statutory audit of the accounts and certifying the Group's financial statements with absolute autonomy and independence from the management bodies. This activity is carried out to ensure transparency to the market and protect stakeholders on the trend of the company's economic performance.

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

Sustainability Committee

The Sustainability Committee was established in 2021 with the aim of supporting the Board of Directors through adequate preliminary and advisory activities and through the promotion of a continuous integration of environmental, social and governance factors into the Group's activities for the creation of value for the shareholders and other stakeholders in the medium-long term.

COUNTRIES OF PRESENCE





BRANDS

The commitment made over the years to the search for innovative and high quality products has allowed many brands to establish themselves both in the Italian market and in the foreign market. Today, in fact, the Group owns 16 proprietary brands (eight for the Haircare Division, six for the Skincare Division, two for the Tech Division).

HAIRCARE



ALFAPARF MILANO PROFESSIONAL is the leading Italian brand in the field of professional hair treatments. Founded in 1980, for over 40 years it has teamed up with professionals, creating effective and innovative products and services to meet any need. Inspired by its values – Italian dynamism, innovation, openness to diversity – ALFAPARF MILANO PROFESSIONAL shares skills and results with a clear objective: to make the daily experience of beauty a source of pleasure and happiness for all, so that people, besides being beautiful, feel good.



YELLOW PROFESSIONAL offers smart and simple beauty, accessible and affordable for everyone: professional, immediate and high-performance solutions, based on advanced technologies and ingredients of natural origin, which enable our hairstylists to spread beauty around the world to be experienced with a smile. YELLOW. Smart professional beauty. Simple happiness



IL SALONE MILANO is a brand characterised by professional distribution, through hair salons, and retail, through selected chains of beauty shops, with excellent quality-price ratio.



Manufactured in Mexico as an immediate response to the new market environment in the era of Covid-19, COLORAMORE is a brand aimed at Beauty Supplies catering to stylists of all levels. It boasts formulas developed in Italy that guarantee renowned quality at a competitive and affordable price.



Launched in Brazil and now distributed throughout Central and South America, “ALTA MODA È...” is the first Alfaparf Milano brand for the retail market. Backed by professional technology, “ALTA MODA è...” offers consumer products for haircare and coloring.



Launched in March 2023, BENVOLEO is Alfaparf Milano’s first sustainable professional haircare brand that brings to the haircare world a sense of transparent, responsible and participatory beauty, and that is proudly Made in Italy. It is characterised by a range of professional, customisable, high-performance and sustainable treatment products.

Following the acquisition of Tricobiotos S.p.A., the Group's brand portfolio was expanded by two additional brands:



SELECTIVE PROFESSIONAL is the brand owned – distributed all over the world – of Tricobiotos S.p.A. which, for over 20 years, has offered the best solutions for the professional market in terms of quality, safety and effectiveness. From color to treatments and styling, Selective Professional offers a complete range of exclusive professional products, developed to meet the needs of consumers all over the world.



With a wide range of products for professional use and for resale, KEZY is a brand able to satisfy every need in a simple, practical and effective way, thanks to the use of high-quality raw materials combined with practical packaging, made in Italy, to ensure the highest quality and best performance.

SKINCARE



Sea lover

SOLARIUM is the new generation of cosmetics for the sun that protects and loves the skin and the sea. Products that contain a pool of innovative sun filters that ensure maximum protection and reduce the impact on the marine environment thanks to “very water resistant” and biodegradable* formulas in salt water, contained in a pack made with recycled and recyclable materials.

* According to OECD 306 Test carried out on all products with SPF (excluding SPF30 FONDOTINTA SOLARE COMPATTO - VISO).

DECODERM

Beyond color is performance

DECODERM goes beyond the limits of color and fulfils every woman's desire for beauty, color and protection. Make-up and skincare combined to create an exclusive make-up line using innovative formulations with a treatment action. Multifunction products, developed in synergy with hi-tech applicators, ensure a professional result and a simple and fast application. A harmonious range of shades enhances the beauty of every woman and allows you to create perfect looks for every occasion.



Technology and Nature

TEN SCIENCE is the result of the combination of technology, nature and science. It draws on the most precious active ingredients that Nature offers, enhancing them to their full potential, thanks to the most advanced technologies. It offers cutting-edge formulas for effective treatments and exclusive cosmetic solutions. The place where the brand is based is the TEN Institute, mirror of the soul of TEN, where nature embraces technology for true beauty.



Beauty in a method

Since 1976, DIBI Milano has been a leading player in the world of professional aesthetics and a reference point for cosmetic excellence. The DNA of DIBI Milano is contained in the name: DIBI, Biotechnology Division, the latest scientific cosmetic frontier, a synergic combination of Made in Italy research and technology, to offer unparalleled results and a customised “tailor-made” method. The DIBI MILANO beauty center is defined by the DIBI Center, a symbol of excellence in service and advice, with highly qualified beauticians who are skilled beauty consultants.



Sustainable, natural, Italian

OLOS, from the Greek “everything”, is the ancestral idea of the bond between human being and nature. The authentic and ubiquitous sustainable approach generates clean, transparent, safe and effective formulas that are gentle on the skin, protect the planet and meet their needs. For natural, authentic beauty and a more informed future.



Love your Beauty

Since 1984, Beauty and Cosmetics have come together in BECOS, the beauty professional who is close to women and enhances their femininity. Love and passion for beauty, combined with effective and quality products, are the ingredients of a successful recipe, exclusively Made in Italy. The BECOS Clubs are the places where you can find professionalism and tailor-made answers to start a beauty journey.

TECH



With almost 40 years of experience in the professional aesthetics channel, the Group develops and markets the latest generation technologies and equipment for all the needs of a modern beauty center. Design, development, production and assembly: all Made in Italy to ensure the best certification and guarantees of quality for our partners.



APG MEDICAL is the Group's medical division, dedicated to the marketing of the latest generation of Made in Italy medical devices. The brand's mission is to improve the work of doctors by providing quality equipment that perfectly meets their needs, in order to improve the well-being of the patients. Research, development and quality are the flagships of APG MEDICAL, offering innovative, tested and quality equipment.

PET



With the entry of Iv San Bernard S.r.l. into the Group structure, the Group's brand portfolio was further expanded with the Iv San Bernard brand, one of the best-known brands in the cosmetics sector for the pets at international level, which since 1995 has been developing high quality products for the care of dogs and cats, with over 200 items. Currently, Iv San Bernard exports its excellence to over 40 countries and, thanks to the collaboration of professionals in the sector, has also become a Grooming Institute that trains skilled groomers every year passing on to them the passion for the care and well-being of our animal friends. Iv San Bernard also offers accessories for dogs and cats and grooming equipment.

AWARDS AND ACKNOWLEDGEMENTS

Also in 2022 Alfaparf Milano has confirmed its position as a leader in the professional cosmetics market, receiving awards and recognitions thanks to the performance of the company, its lines and products.

Corporate

SUSTAINABILITY LEADER: In 2022, Alfaparf Milano was included, for the second consecutive year, among the 200 best Italian companies LEADERS OF SUSTAINABILITY. The research was carried out by Statista for Il Sole 24 Ore and was based on the analysis of 40 KPIs relating to the environmental, social and economic macro-areas featured in the public sustainability reports of 1,500 companies that passed the first selection.



DYSLEXIA FRIENDLY COMPANY: At the end of 2022, Alfaparf Milano obtained the Dyslexia Friendly Company certification, recognition that came at the end of a review of the personnel recruitment and management processes carried out by the HR function in collaboration with the Italian Dyslexia Association (AID). This process has made it possible, on the one hand, to provide the entire company population with training tools on the subject and, on the other, to provide the company with know-how and a set of practices and guidelines such as to allow an inclusive assessment and management of candidates and workers with specific learning disabilities.

PROCUREMENT AWARDS 2022: Alfaparf Milano was again awarded first place in The Procurement Awards competition, within the “Procurement Innovation” category, with a project to re-package two of the Group’s most important and distinctive product lines: Semi di Lino for haircare, DIBI Milano for skincare.

Both product lines had in common the use of closures (flip-top caps, screw caps, jars and tubes) in virgin plastic decorated with a metallization process that, by affixing an aluminium film, allows the surface to simulate a silver effect. The project proposal, designed and implemented by the Procurement department, involves the elimination of metallisation, the polishing of “no-metal” components to make them more precious, beautiful and attractive and the definition of new master colors, combined with complementary packaging. This made it possible to eliminate the superfluous (harmful to the environment), evolving the concept of a product beauty from a merely aesthetic concept to a more inclusive and substantial one.

BEST MANAGED COMPANY: Alfaparf Milano was awarded as Best Managed Company 2022 in the fifth edition of the Best Managed Companies Award, organised by Deloitte Private, which saw the awarding of 79 Italian companies that have proven to stand out for their level of performance and capacity to pursue excellence in all aspects of company management. The participating companies were assessed on the basis of six areas considered critical: Strategy, Skills and innovation, Commitment and corporate culture, Governance and performance evaluation, Corporate and social responsibility, Internationalisation.



WOMEN’S WEAR DAILY TOP 100: in the 2022 ranking of the top 100 global cosmetics companies, drawn up by the American magazine Women’s Wear Daily (www.wwd.com), Alfaparf Milano ranked 93rd.

Haircare

UK HAIR MAGAZINE AWARDS 2022 – SEMI DI LINO: Alfaparf Milano Semi di Lino Curls Enhancing Low Shampoo and Conditioner won the “Best Shampoo & Conditioner For Curls” award from the UK Hair Magazine Awards 2022.

PRÊMIO ATUALIDADE COSMÉTICA 2022 – SEMI DI LINO: As part of the 30th edition of the Prêmio Atualidade Cosmética, an event that rewards the excellence of Brazilian cosmetic production, with the support of Beauty Fair, the Alfaparf Milano Semi di Lino Blonde and Brunette lines have been awarded as “Best professional hair treatment 2022”.

Skincare

BEST BEAUTY BUYS 2022 – DIBI MILAN: DIBI Milano Hydra Perfection Crema Idratazione Attiva and Face Perfection Crema Detergente Giovinezza Estrema [Hydra Perfection Active Hydration Cream and Face Perfection Youth Extreme Cleansing Cream] were selected by Hi Style as “Best Beauty Buys 2022”, respectively in the “Best Day Cream” and “Best Cleanser” categories.

ATTRACTA BEAUTY AWARDS 2022 – DIBI MILANO: Tonic Lifter Crema Rassodante di Giovinezza [Tonic Lifter Youth Firming Cream] by DIBI Milano was the winner of the Attracta Beauty Awards 2022 in the “Best Body Moisturiser” category.

SPACHINA WELLNESS AND SPA AWARDS 2022 – DIBI MILANO: In 2022 DIBI MILANO Filler Code Trattamento Assoluto di Riempimento [Absolute Filler Treatment] was awarded at the SpaChina Wellness & Spa Awards as “The Star SPA Product” of the year.

ELLE BEAUTY AWARDS 2022 – OLOS: Acqua Micellare Delicata di OLOS [OLOS Gentle Micellar Water] was the most voted product by Elle readers, winning first prize in the “Face cleansing” category.



GOVERNANCE

Sustainability Plan

Being transparent and accountable



RESPONSIBLE BUSINESS MANAGEMENT

The Corporate Governance system adopted by Alfa Parf Group is a fundamental tool for ensuring the effective management of the company's activities, guaranteeing the creation of value for all stakeholders in the long term.

The Group is constantly committed to maintaining and strengthening the quality of its corporate governance system. It firmly believes that adequate governance aligned with national and international best practices is a key element in improving its performance in the economic, environmental and social spheres, as well as in increasing competitiveness and consolidating its ability to attract and retain the best resources.

The Italian subsidiary of the Group, Beauty & Business S.p.A., has adopted an Organisation and Management Model (hereinafter also 231 Model). The Model applies to both internal relations and relations with stakeholders outside the company and aims at preventing offences punishable under Italian Legislative Decree 231/2001.

The choice to voluntarily adopt an Organisation and Management Model is part of the company's broader policy of raising awareness of transparent and correct management in compliance with current legislation and the fundamental principles of business ethics in the pursuit of the corporate purpose.

To gain an overview of the concrete application of the Model's operational principles and to verify the presence and/or application of formalised procedures for process management and the application of the Model's operational principles, the company's internal Supervisory Body periodically checks the Special Section of the Model, especially through interviews with those responsible for the relevant activities.

Since the adoption of the 231 Model, 100% of the contracts and investment agreements made by Beauty&Business S.p.A. include a note requesting compliance with the company's Code of Ethics and 231 Model, while pre-existing suppliers have been informed of the adoption of the 231 Organisation Model, and have been asked to read it.

With regard to the topic of anti-corruption, a control system is in place with the goal of avoiding cases of corruption or any other relevant offence. This system is based on certain basic control principles, for example, process ownership, according to which each business process must be managed by a specific process owner, while powers and responsibilities must be clearly defined and recognised. The Model, which also regulates the offences of corruption and unfair competition, is made available to all staff of the Italian subsidiary Beauty & Business S.p.A. on its website, and a hard copy is provided with a request to view it upon recruitment. The orientation towards ethics is essential to guarantee the reliability of the Group's behavior towards its stakeholders, and more generally towards the entire civil, economic and social context in which the Group operates. In this context, the Code of Ethics defines the set of values that the Alfa Parf Group recognises, accepts and shares and the set of responsibilities it assumes internally and externally.

First drafted in 2016, the Group's Code of Ethics was updated in 2022; the revision stemmed from the awareness that we are witnessing a process of growing closeness between company and society both nationally and internationally that is generated by increasing attention to ethics and social responsibility. The company must adopt ethical conduct, which not only means complying with the law, but also establishing a healthy relationship with the environment, adopting policies that respect the individual, and more generally playing a positive role in the economic context and social area in which it operates. The new Code of Ethics has been translated into the four main languages of the Group and is made available to all employees on the website.

STAKEHOLDER ENGAGEMENT

Stakeholders are those who can influence or be influenced by the Group's activities, in various ways. They represent the complexity of the organisation, highlighting the set of relationships that characterise Alfa Parf Group's activities. The Sustainability Report allows the Group to inform its stakeholders about its sustainability performance in a timely and transparent manner, and where possible, directly engage them in the definition of plans, measures and actions. Stakeholders have always been the main benchmark for Alfa Parf Group's business, and dialogue with them is an opportunity for the Group to grow and improve.

Stakeholder	Engagement Method
Shareholders	<ul style="list-style-type: none"> • Interviews and daily dialogue on corporate management • Meetings on specific topics
Employees	<ul style="list-style-type: none"> • Training and performance management programmes • Sharing the Code of Ethics
Customers and Consumers	<ul style="list-style-type: none"> • Customer Service • Interaction through social networks • Sales network as a channel for listening, mediation and communication • Interaction through the administration of questionnaires • Creation of working groups with teams of hairdressers/beauticians
Suppliers	<ul style="list-style-type: none"> • Periodic meetings with suppliers and on-site visits/audits • Sharing the Code of Ethics • Regular contacts to define quality standards
Local Communities	<ul style="list-style-type: none"> • Continuous relationships with local authorities and the community to manage the impact of production sites on the local system • Support with some initiatives of local authorities and charity and/or voluntary associations in the social and cultural field • Sharing and collaboration on topics linked to the local area
Local, national and international institutions, Trade associations	<ul style="list-style-type: none"> • Participation in local and national trade organisations • Participation in events such as conferences, seminars, etc. to share the company's experience and business environment with third parties
Financial Institutions	<ul style="list-style-type: none"> • Regular meetings to share developments in global financial market scenarios • Regular meetings to analyse the company's performance and development plans
Press and Social Media	<ul style="list-style-type: none"> • Local and international press relations • Participation in round tables • Interaction through social networks
Trade Unions	<ul style="list-style-type: none"> • Regular meetings to analyse the corporate situation • Negotiation meetings on specific corporate issues

CERTIFICATIONS

Alfa Parf Group is constantly striving to raise the quality of its products and services for professionals (hairstylists and beauty centers) and end customers in all market segments. Production takes place in plants located in Italy, Brazil, Mexico, Argentina and Venezuela, and all the divisions and production facilities operate synergistically through the application of a Quality Management System to guarantee the conformity not only of products and services, but also to support the continuous management of activities, in full respect of the environment, people, customers and local communities.

The production sites in Brazil, Mexico and Venezuela apply both international ISO standards and Good Cosmetics Manufacturing Practices standards as required by government authorities (e.g., Cofepris in Mexico, Anmat in Argentina, Anvisa in Brazil) and are subject to periodic inspections by them.

Over the years, hand in hand with its commitment to sustainability, the Group has voluntarily decided to comply with international social, ethical and environmental standards and, in some cases, to pursue certification. The production site in Mexico obtained the voluntary Industria Limpia certification in 2021 (renewed in 2022) for the promotion of the Federal National Environmental Protection Programme, The Programme is designed for companies that seek to make their production processes more efficient, reduce waste production, prevent environmental accidents, consolidate good practices and continuously improve their processes.

The following certifications were obtained or renewed in 2022:

- UNI EN ISO 9001:2015 - Quality Management System (QMS) (Italy, Mexico and Brazil).
- ISO 22716:2007 Cosmetics - Good Manufacturing Practices (GMP) (Italy, Mexico).
- UNI EN ISO 13485:2016 - Medical Devices - Quality Management System (Italy).
- Authorised Economic Operator (AEO) Certification (Italy).
- Industria Limpia (Mexico).
- Good Manufacturing Practices (Brazil).
- Buenas Prácticas de Manufactura para la Fabricación de Productos Farmacéuticos (BPM) (Venezuela).

As well as being strategic, these certifications lead the Group to comply with certain quality standards in terms of both company procedures and operational activities, and are essential to guarantee that safe and timely products with high quality standards are brought to the market on the one hand, and to maintain excellent customer service on the other.

During 2022, in addition to surveillance audits by accredited entities in relation to ISO standard certifications, all the Group's production plants underwent successful "social audits" by their respective Private Label customers, conducted either in-person or through dedicated remote platforms in relation to their Responsible Sourcing Policy Standards. The aim was to assess their commitment not only to quality but also to economic and social sustainability, to programmes on the growth and professional activities of resources and to the health and safety of employees.



9001:2015



22716:2007



13485:2016



FOCUS ON

IV SAN BERNARD SRL SAFE PET COSMETICS® CERTIFICATION

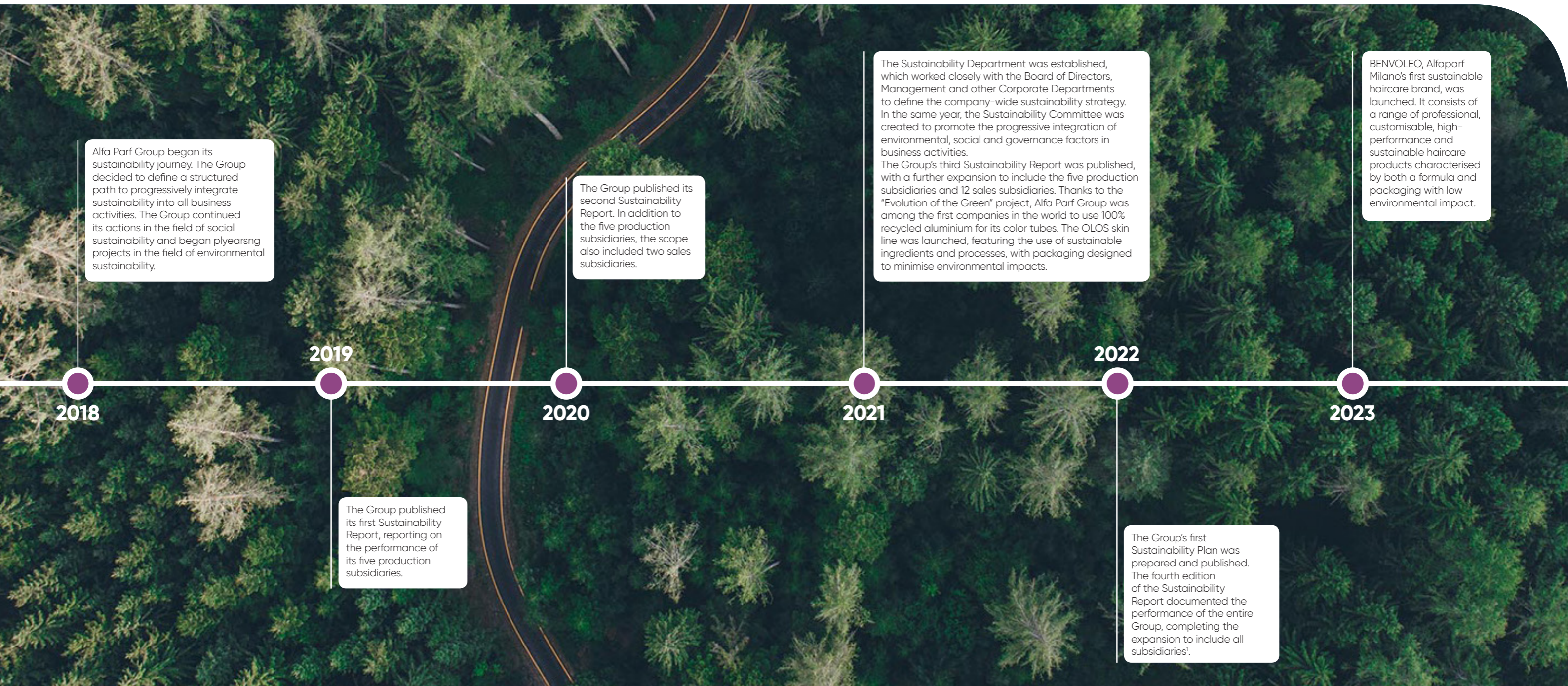
Iv San Bernard is the first company in the world to be certified Safe Pet Cosmetics® for the compliance of its products, since 2018.

The Safe Pet Cosmetics® Programme is a voluntary protocol adhered to by companies that are committed to protecting the health and dignity of animals, apply the same standards that regulate cosmetics for humans, and strive to spread the culture of animal protection with a special Certificate of Compliance.



SUSTAINABILITY GOVERNANCE

SUSTAINABILITY JOURNEY



¹Only companies with employees were considered.

SUSTAINABILITY STRATEGY

Aware that the ultimate goal of business cannot simply be maximising profit, Alfa Parf Group pursues a business model that is also based on the principles of sustainability, transparency and quality. It adopts specific management and organisational structures aimed at creating shared value for all its stakeholders, with full respect for the environment and in the interest of future generations.

With its Sustainable Development Goals (SDGs), the 2030 Agenda has highlighted the need for change for governments, individuals and businesses. As the main drivers of economic development, companies play a key role in this grand agenda for action. In order to achieve these goals by 2030, companies around the world are called upon to contribute through new responsible business models, investment in research, innovation and development, and the establishment of partnerships and collaborations with stakeholders.

Sustainability is a key element and a founding value of the corporate culture; for Alfa Parf Group, this translates into a series of actions and projects aimed at achieving the 13 Sustainable Development Goals identified by the Group as priorities.



Based on the 13 priority SDGs, Alfa Parf Group has laid the foundations for its multi-year Sustainability Plan (hereinafter Plan), which will guide the Group in its strategic development choices. The Plan is based on four key pillars representing the four dimensions of sustainability: sustainable governance, economic sustainability, environmental sustainability and social sustainability. One or more SDGs have been linked and one or more macro-objectives have been identified for each pillar, which will be translated into quantitative KPIs and concrete projects and actions aimed at achieving them.

SUSTAINABLE GOVERNANCE

Being transparent and accountable



SDG target

- Promote peaceful and inclusive societies for sustainable development; provide access to justice for all and build efficient, accountable and inclusive institutions at all levels.

Actions

- Integrate sustainability into business strategies.
- Clear, reliable, accurate, complete and buyable communication to stakeholders.
- Proactive risk management.

Material topics

- Integrity and transparency in the conduct of business.

ECONOMIC SUSTAINABILITY

Creating long-term value through innovation



SDG target

- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Build resilient infrastructure, promoting inclusive and sustainable industrialisation and foster innovation.

Actions

- Promote research and development activities.
- Responsible procurement and supply chain management.

Material topics

- Solidity, profitability and resilience.
- Product quality, safety and reliability.
- Research, development and product and process innovation.
- Brand reputation.

ENVIRONMENTAL SUSTAINABILITY

Mitigating climate change

SDG target

- Ensure availability and sustainable management of water and sanitation for all.
- Ensure access to affordable, reliable, sustainable and modern energy for all.
- Build resilient infrastructure, promoting inclusive and sustainable industrialisation and foster innovation.
- Make cities and human settlements inclusive, safe, resilient and sustainable.
- Ensure sustainable production and consumption patterns.
- Take urgent action to combat climate change and its impacts.

Actions

- Measurement, reduction and offsetting of CO₂ emissions from production activities and products.
- Assessment, monitoring and mitigation of environmental impacts.

Material topics

- Energy efficiency.
- Combat climate change and managing emissions.
- Raw materials, ingredients and packaging.



SOCIAL SUSTAINABILITY

Caring for employees, customers and local communities, promoting inclusion and empowerment

SDG target

- Ensure healthy lives and promote well-being for all at all ages.
- Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- Achieve gender equality and empower all women and girls.
- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Reduce inequality within and among countries.

Actions

- Promotion of knowledge acquisition, skills, development and training.
- Enhancing communication, information sharing and development.
- Promotion of human development and support in reaching and expressing one's potential.

Material topics

- Respect for human rights and protection of workers.
- Workers' health and safety.
- Customer satisfaction.



MATERIALITY ANALYSIS

In order to define the areas to be reported in its Sustainability Report, Alfa Parf Group carried out a materiality analysis to identify and prioritise the issues considered relevant, i.e., those that, in accordance with the GRI 2021 Standard (GRI 3 - Material Topics), reflect a significant economic, environmental and social impact of the organisation.

Furthermore, according to the European Union's approach set out in the European Commission's Communication published in June 2019 containing the guidelines on climate change reporting under the NFRD/Non Financial Reporting Directive - Directive 95/2014, material topics are those areas of sustainability that can have significant impacts on a company's development, performance and value. At the same time, material topics are defined in relation to the social and environmental areas and issues on which the company can have a relevant impact through its activities. The two "directions" of materiality are interconnected. The first step in the process for determining the material topics consisted of an analysis of the current context, which considered:

- analysis of existing company documentation;
- analysis of public documents, articles, statistics and findings of observatories on the type of international standards and frameworks adopted in sustainability reporting;
- analysis of the characteristics of the industry sector, in order to identify the main issues on which competitor and comparable companies also tend to focus.

With regard to this last point, considering the absence of a GRI Sector Standard, a benchmark analysis was carried out in which the websites and public documents of competitor and/or comparable companies considered "best-in-class" in sustainability reporting were examined.

This analysis identified 24 potentially material sustainability issues, which can be traced back to the four pillars of the Group's Sustainability Plan: Sustainable Governance, Economic Sustainability, Social Sustainability, Environmental Sustainability. For each potentially material topic identified, the most significant impacts (positive or negative, actual or potential, short or long term) that the company's activities are (or could be) capable of generating on the economy, the environment and people, including impacts on human rights, were then associated.

Once the potentially relevant topics and their impacts were identified, they were subjected to quantitative assessment through an online questionnaire administered to Top Management and a representative sample of Group employees, who were asked to prioritise all the topics for each pillar while considering the level of relevance of the impacts. In assessing the “materiality” level of the ESG impacts related to each topic, the following elements were considered:

- **Scale:** magnitude (in a positive or negative sense according to each case) of the impact generated directly or indirectly by the company’s activities.
- **Scope:** spread of the impact in geographical terms (e.g., local, national, etc.), considering the number of stakeholders engaged, etc..
- **Rectifiability:** the extent to which the impact can be mitigated or rectified once it has occurred (to be considered only for negative impacts).
- **Likelihood:** probability with which this impact could occur in the short, medium and long term (to be considered only for potential impacts).

Once all the evaluations were collected, they were analysed and consolidated, and a weighted average was calculated for each topic. In order to identify the ESG topics and impacts that are truly “material” for Alfa Parf Group, a materiality threshold was defined and 11 material topics were identified.

At the end of the whole process, the results were submitted for discussion and validation by the members of the Sustainability Committee. The following table shows the impacts generated and the activities that generate those impacts for each of the material topics identified.

MATERIAL TOPIC	TOPIC IMPACTS AND RELEVANCE	ACTIVITY GENERATING THE IMPACT
Integrity and transparency in the conduct of business	<p>Ability to positively or negatively impact economic and financial performance to the benefit of society and the economic ecosystem in which it operates</p> <p>Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts.</p> <p>Ability to positively or negatively influence customer awareness at the purchasing stage</p> <p>Ability to positively or negatively affect the availability of information on the characteristics of the products and services offered</p>	<p>Alignment with regulations and standards on business ethics and integrity to which the Group is subject in each country where it is present</p>
Solidity, profitability and resilience	<p>Ability to positively or negatively impact economic and financial performance to the benefit of society and the economic ecosystem in which it operates.</p> <p>Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts</p> <p>Ability to positively or negatively affect attractiveness to investors and capital providers</p>	<p>Developing and strengthening stakeholder relations</p> <p>Production of products and provision of services aligned with the demands of different markets</p> <p>Widespread coverage of the distribution network</p>

	Ability to positively or negatively affect the capacity to retain and attract and the employment stability of human resources	
Respect for human rights and protection of workers	<p>Ability to positively or negatively affect the protection of the fundamental rights of workers and collaborators with whom APG works</p> <p>Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts</p>	<p>Processes for monitoring and reporting breaches of human rights (Whistleblowing)</p> <p>Selection processes based on merit and skills</p> <p>Remuneration in line with the market</p>
Raw materials, ingredients and packaging	<p>Ability to positively or negatively affect product performance and customer safety</p> <p>Ability to positively or negatively contribute to maintaining a high level of customer satisfaction and appreciation in terms of product offerings and service quality.</p> <p>Ability to positively or negatively affect environmental protection and safeguard natural resources</p>	<p>Use of sustainable raw materials and recycled materials</p> <p>Calculation of the carbon footprint of the packaging of sustainable lines, creating environmentally-friendly products</p>
Product quality, safety and reliability	<p>Ability to positively or negatively affect product performance and customer safety</p> <p>Ability to positively or negatively impact economic and financial performance to the benefit of society and the economic ecosystem in which it operates</p> <p>Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts</p>	<p>Constant quality control of all products and packaging placed on the market</p> <p>Information transparency in the labelling of marketed products</p>
Workers' health and safety	<p>Ability to positively or negatively affect the health and safety of employees and external collaborators.</p> <p>Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts.</p>	<p>Activities to prevent occupational accidents and illnesses, in compliance with current health and safety regulations</p> <p>Health and safety training activities</p>
Energy efficiency	Ability to positively or negatively impact energy costs through energy efficiency actions and projects	<p>Monitoring energy consumption</p> <p>Implementation of process optimisation activities, with a view to energy efficiency</p>
Combating climate change and managing emissions	Ability to positively or negatively affect the protection of ecosystems and safeguard biodiversity	Constant monitoring of impacts on the environment resulting from business activity

	Ability to positively or negatively affect the availability of products and services in the target markets	Reducing product and packaging-related CO ₂ emissions during product development Calculating CO ₂ emissions of the packaging of sustainable lines Offsetting the CO ₂ emissions of the packaging of sustainable lines
Brand reputation	Ability to positively or negatively impact economic and financial performance to the benefit of society and the economic ecosystem in which it operates Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts Ability to positively or negatively influence the degree of customer sensitivity to ESG issues	Constant updating and monitoring of registered brands
Customer satisfaction	Ability to positively or negatively contribute to maintaining a high level of customer satisfaction and appreciation in terms of product offerings and service quality Ability to positively or negatively impact economic and financial performance to the benefit of society and the economic ecosystem in which it operates Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts	Monitoring customer satisfaction levels Marketing products in line with the trends and demands of the different markets in which the Group operates Transparency of the information available on the products offered
Research, development and product and process innovation	Ability to positively or negatively impact economic and financial performance to the benefit of society and the economic ecosystem in which it operates Ability to positively or negatively affect the availability of products and services in the target markets Ability to positively or negatively affect the reputation and degree of trust and maintenance of relations with the main stakeholders with which APG interacts	Research and development activities Constant product and process innovation activities

The Group has also decided to report on topics not included in the 11 identified as most relevant, in order to provide a more complete and detailed overview of the impacts associated with the company's activities.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Adoption and communication of the new Code of Ethics	Preparation and publication of the new Code of Ethics in the four official languages of the Group. Communication of the new Code of Ethics to all Group staff and collaborators	December 2022	Completed
Authorized Economic Operator Certification for the Mexican plant	Given the large number of international trade transactions carried out and the desire to make them safer and more standardised, the Mexican subsidiary has begun the process to obtain Authorized Economic Operator (AEO) Certification	December 2023	Underway
ISO 22716 Certification for the Brazilian plant	The Brazilian plant has embarked on the path to ISO 22716 Certification following increasing demand from customers, especially private labels	August 2023	Underway
Obtain new ISO Certification for the Italian plant	<ul style="list-style-type: none"> • ISO 14001:2015 - Environmental Management System • ISO 45001:2018 - Occupational Health and Safety Management Systems • ISO 22301:2019 - Business Continuity Management System 	December 2025	Underway





FINANCIAL CAPITAL

Sustainability Plan

Creating long-term value through innovation



OPERATING PERFORMANCE

The Group's second pillar of the Sustainability Plan - Economic Sustainability - has the macro-objective of creating long-term value through innovation. Alfa Parf Group pays particular attention to its ability to create value not only in terms of profit, but also in terms of generating wealth and employment within the social fabric where the Group is embedded.

Income Statement²

(€/000)

	31.12.2022	31.12.2021	31.12.2020
Ordinary revenues	335,117	269,086	202,943
EBITDA	69,609	57,797	35,467
EBITDA %	21%	21%	17%
EBIT	54,555	50,634	23,417
EBIT %	16%	19%	12%
Financial Charges	(6,024)	(3,370)	(8,560)
EBT	48,532	47,264	14,857
EBT %	14%	18%	7%
Taxes for the year	(18,891)	(16,521)	(1,693)
Profit (loss) for the year	29,299	30,660	16,566
Profit (loss) minority interest share	342	83	-16
NET income	29,641	30,743	16,550
NET income %	9%	11%	8%

²The income statement has been reclassified according to IAS/IFRS accounting principles.

Revenues by geographical area and division

(€/000)

	31.12.2022				31.12.2021		
	HAIR ³	SKIN ⁴	OTHER	TOTAL	HAIR	SKIN	TOTAL
EMEA and Asia Pacific	98,871	28,902	5,173	132,946	77,767	29,107	106,874
USA	59,163	182		59,345	53,229	273	53,501
Latin America	142,446	380		142,826	108,349	362	108,710
TOTAL	300,480	29,464	5,173	335,117	239,345	29,741	269,086

³Includes Haircare and Private Label divisions.

⁴Includes Skincare and Tech divisions.



APPROACH TO TAXES

The Group maintains relations with local authorities and national institutions that are based on transparency and compliance with the various regulatory requirements. Task risk management is defined by taking into account the Organisation and Management Model pursuant to Italian Legislative Decree 231 adopted by the Italian subsidiary Beauty & Business S.p.A., which includes periodical communication to the Supervisory Body on compliance with tax deadlines and any communications received from the tax authorities.

Group tax management is carried out independently by the individual foreign subsidiaries, with coordination by the Corporate Tax Department, in order to ensure compliance with tax regulations in all countries where the Group operates. The Department oversees tax processes for the Group's Italian companies, also by updating procedures and policies, working closely with the business and supporting it in managing the tax issues inherent in the business model.

Tax impacts are duly taken into account when drafting corporate strategic and operational plans and are an essential element in assessing the resulting economic and social impact. The Group's objective is to strengthen its tax control by improving governance and mitigating possible risks through risk assessment and gap analysis, developing optimisation tools with the aim of comparing the tax burden of the Group's companies, highlighting the relative deviations from the theoretical tax rate established by local regulations, and identifying the relative causes and any anomalies.

In order to improve tax governance controls, a tool implemented by an external provider to manage the monitoring of tax compliance, with particular reference to direct taxes, was introduced for all Group subsidiaries in 2022. The objective of the tool, which in 2023 will also be extended to the management of deadlines for indirect taxes, is to identify the tax deadlines stipulated in the various local regulations and to comply with them within the legal deadlines.



CREATING VALUE FOR STAKEHOLDERS

The Economic Value generated by the Group in 2022 amounted to Euro 346.3 million and refers to the Production Value as per the Financial Statements (Revenues and Other Operating Revenues), net of credit losses and supplemented by financial income.

Most of the Economic Value generated was distributed to the various stakeholders with whom Alfa Parf Group came into contact in the course of its business. In fact, the Economic Value distributed in 2022 amounted to Euro 301.4 million, representing about 87% of the Economic Value Generated which, in addition to covering the operating costs incurred during the year, was used to remunerate employees, lenders, the public administration and the community, understood as donations made.

The Economic Value Retained, equal to Euro 44.8 million (13% of the Economic Value Generated), includes depreciation and amortisation of tangible and intangible assets as well as deferred taxation.

Reclassification of the income statement

(€/000)

	31.12.2022	31.12.2021	31.12.2020
Revenues	335,117	269,086	202,943
Other income	6,784	4,928	2,080
Financial income	4,404	1,456	807
Total economic value generated by the Group	346,305	275,470	205,830
Operating costs	192,496	151,296	119,355
Staff remuneration	78,476	64,460	55,379
Remuneration of lenders	11,333	5,001	4,025
Remuneration of Public Administration ⁵	18,891	16,521	(1,693)
Donations	294	178	33
Total economic value distributed by the Group	301,490	237,457	177,099
Economic value retained by the Group	44,815	38,013	28,731

⁵ Public Administration remuneration also includes deferred taxes.

SUPPLIERS

Alfa Parf Group directly controls the entire value chain, from research and innovation to the production, marketing and distribution of its products worldwide. The Group is equipped with a management system that makes it possible to identify the percentage of expenditure concentrated on local suppliers, as well as the weight and volume of materials purchased.

The strategic management of the procurement process is ensured by the Global Procurement Department which, thanks to a dedicated team, guarantees transparent control of the supply chain and the efficiency and traceability of the purchasing and order management process.

In addition to the Corporate Department, each subsidiary has an in-house purchasing department divided by product category: raw materials, packaging, general services. The Corporate Department coordinates the local purchasing departments, although there is also a logic of competition between the different subsidiaries.

The centralisation of procurement at corporate level has led to the achievement of the correct Total Cost of Ownership (TCO), which has enabled the procurement management process to be monitored more effectively and efficiently while maintaining the highest level of product quality and delivery accuracy. The consolidation of spending and the aggregation of volumes has allowed for better, more efficient monitoring of the entire Group purchasing process, and has made it possible to benefit from greater economies of scale, to create synergies between the individual subsidiaries and to increase the number of qualified suppliers, stimulating continuous improvement and process standardisation.

Although for different reasons, 2022 was also a particularly challenging year in terms of procurement. In the first part of 2022, the tensions on the energy markets, which had already led to unprecedented price increases on the gas and electricity wholesale markets in the last quarter of 2021, were further reinforced by the war in Ukraine and the sanctions imposed by Western countries on Russia. Moreover, the military crisis was in addition to a picture already made difficult by the continuing pandemic, the upward pressure on the prices of various commodities and the general distress, in terms of supply, of certain global supply chains. Indeed, the war amplified the difficulties in the procurement of raw materials and materials, particularly for those coming from the three countries involved.

The complex scenario just described also impacted the Group's procurement, leading to cost increases, shortages of some cosmetic raw materials (natural extracts, silicones) and basic chemical components due to the Chinese lockdown (phosphoric acid, chlorine). Nevertheless, the Global Purchasing Department is constantly striving to seize profitable opportunities for Alfa Parf Group, with the aim of improving costs, the recyclability of components used, energy consumption and replicability in the different subsidiaries worldwide.

FOCUS ON

PILLARS OF THE GLOBAL PROCUREMENT DEPARTMENT

The entire activity of the Global Procurement Department is based on four fundamental pillars, consisting of three core actions and an opportunity:

ACTIONS

BUY RIGHT

- Competitive, transparent and traceable offer
- TCO analysis, not merely price
- Product standardisation

BUY CHEAPER

- Framework agreements with selected suppliers
- Group sourcing of raw materials with higher yields and lower production costs
- Optimisation of the quantities ordered

BUY LESS

- Lower consumption due to better production output
- "Make or buy" (in sourcing)
- Less obsolescence of raw materials

OPPORTUNITIES

BEST PRACTICE

- Identification of best practices among subsidiaries
- Sharing and implementation thereof worldwide
- Consideration of the peculiarities of individual situations



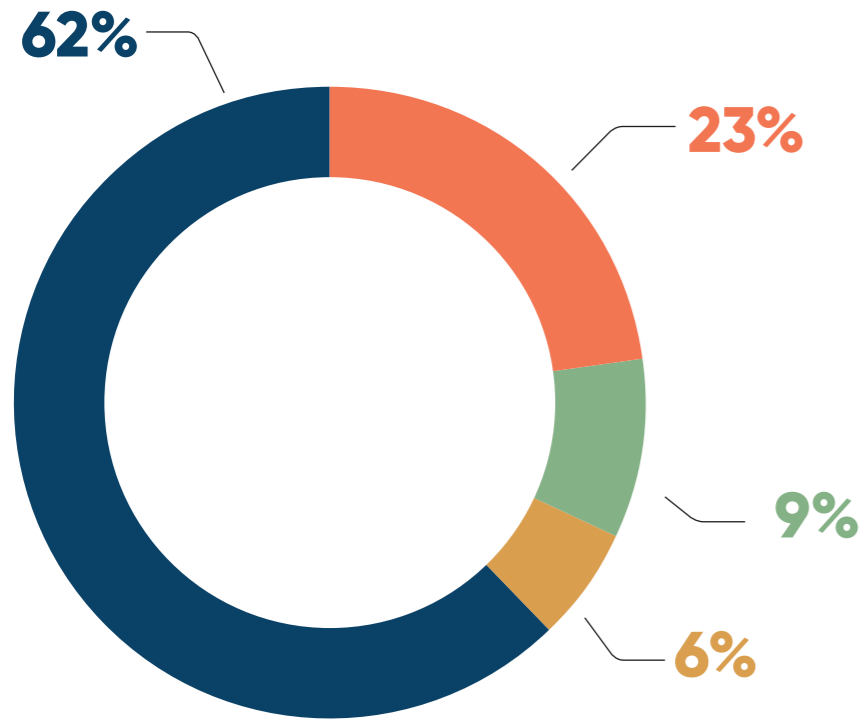
LOCAL PROCUREMENT

Although purchasing is centralised under the Global Purchasing Department, Group procurement is carried out by giving preferential treatment, with the same quality, performance and price, to local and national sales partners.

In 2022, Alfa Parf Group held business relations with more than 2,300 suppliers, with a total turnover of Euro 132.8 million (34% more than in 2021): of which 62% of the expenditure paid to local suppliers⁶, 23% to national suppliers⁷, 9% to continental suppliers⁸ and the remaining 6% to non-continental suppliers⁹.

2022 Expenditure by Geographical Area

- Budget spent for local suppliers
- Budget spent for national suppliers
- Budget spent for continental suppliers
- Budget spent for suppliers located in the rest of the world



⁶ Local suppliers are suppliers who are based in the same Region/District as the site of the Group company that made the purchase.

⁷ National suppliers are suppliers with headquarters in the same country as the site of the Group company that made the purchase.

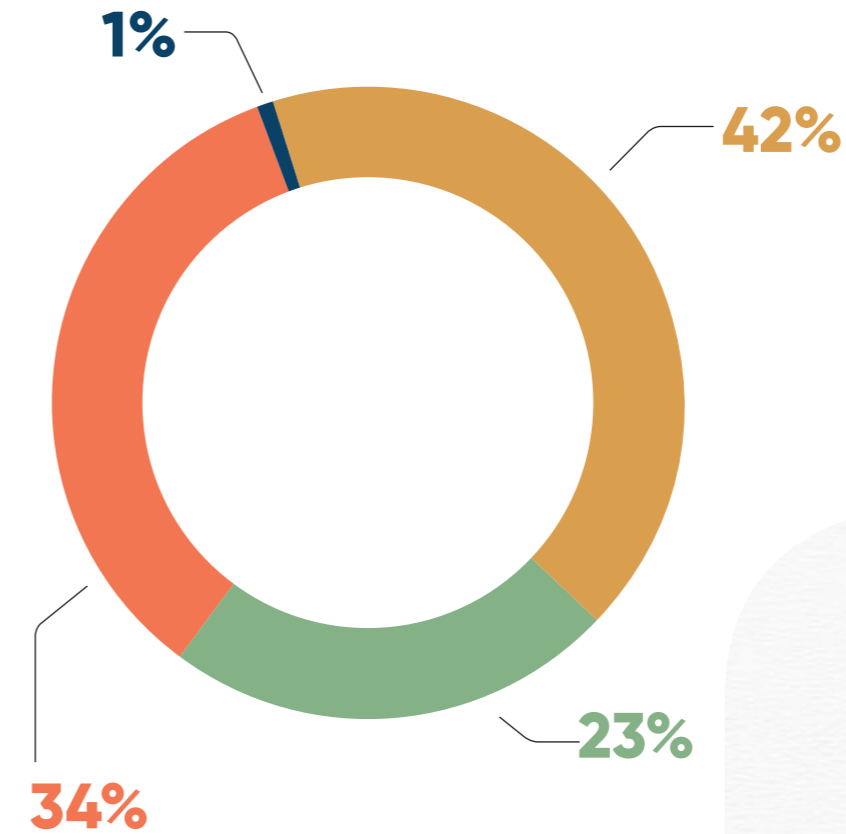
⁸ Continental suppliers are suppliers with headquarters on the same continent as the site of the Group company that made the purchase.

⁹ Non-continental suppliers are suppliers with headquarters outside the continent in which the site of the Group company that made the purchase is present.

Of the total purchased in 2022, 58% relates to goods and raw materials directly for the production and sale of the Group's products; while the remaining 42% relates to services (such as hires, leasing, marketing activities, translations, various consultancies) and non-coded ancillary materials, which are indispensable for the activities of the various Departments.

2022 Expenditure by Product Category

- Components, equipment, promotional products
- Packaging
- Raw materials
- Services and non-coded materials



SUPPLIER SELECTION

Alfa Parf Group favors and encourages business relations with partners who share the same values of ethical, social and environmental commitment and only includes suppliers in its supply chain who have undergone a strict qualification process, in order to reduce any risks of non-compliance and be provided with guarantees of reliability, responsibility and quality. In line with the market and economic-environmental requirements, Alfa Parf Group has chosen to adopt a proactive 4R approach when selecting its suppliers: Re-think, Re-use, Re-duce, Re-cycle. The Procurement Department thereby seeks, studies and promotes solutions in line with this guideline and selects suppliers and partners who, in the field of raw materials and industrial design, meet the fundamental requirements of:

- Technological innovation, i.e., the use of state-of-the-art, low-consumption machinery, compatible technologies and the use of innovative and sustainable materials and techniques.
- Packaging redesign through weight reduction, resulting in lower material consumption and improved product design, aimed at reducing footprints and CO₂ emissions.
- Use of raw materials with high percentages of recycled material or derived from renewable or reused sources.
- Proposal of certified materials or processes (PSV Second Life Plastic, FSC paper and cardboard, etc.).
- Achievement of environmental and social certifications (e.g., ECOVADIS, B-CORP, etc.).

Suppliers are not considered if they do not fulfil the above requirements; furthermore, in the contract phase all new suppliers are required to sign the Organisation Model pursuant to Italian Legislative Decree 231 that has been adopted by the Group, including the Code of Ethics.

To make supplier selection even more effective, the existing supplier qualification procedure includes two main steps when initial contact (economic bid) is made with a new supplier:

- Sending a pre-qualification questionnaire containing a series of ethical-social questions in order to assess the supplier's approach to these issues from the very first contact.
- Once the responses to the pre-qualification questionnaire have been assessed, the economic bid is assessed; however, before proceeding with the first purchase order the supplier must fill out a qualification file consisting of a series of questions of a technical nature. The aim of the questions is to obtain further information regarding the financial position of the individual supplier, its business organisation, certifications obtained, and the policies and activities in place for sustainable development and safety.

Business relations were established with 736 new suppliers in 2022, all of whom were evaluated according to ethical and social criteria. In addition to the ethical-social aspects, in recent years more attention has also been paid to the evaluation of suppliers on the basis of purely environmental criteria: in the near future, these aspects will be increasingly investigated through requests for official declarations and, if deemed necessary, also through audits. The objective of this process is to increase the level of knowledge of business partners, including their ethical, social and environmental performance, with the aim of implementing sustainability-related projects in partnership with suppliers. The Group intends to start a monitoring process of its suppliers performance through periodic requests for declarations in the near future.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Implement the tax risk control system	Implementation of the TCF (Tax Control Framework), an internal control system for the identification and continuous monitoring of tax risks affecting administrative and business processes. The implementation of this tool will reinforce mitigation safeguards for tax offences relevant for the administrative liability of entities pursuant to Italian Legislative Decree 231 and will provide reputational benefits related to tax transparency measures and the prevention of tax fraud	December 2024	The first phase of the preliminary check-up project is underway, with reference to the existing procedures adopted by the Corporate
Develop partnerships with suppliers	Develop partnerships with manufacturers and/or suppliers to promote the production and use of recycled materials in packaging development	Underway	Achieved by 2022
Improve the supplier management process	Adopt a supplier management system that allows periodic verification of the performance (including sustainability performance) of supply chain actors, control of relevant documentation, and on-site audits	December 2024	In progress





INTELLECTUAL CAPITAL

Sustainability Plan

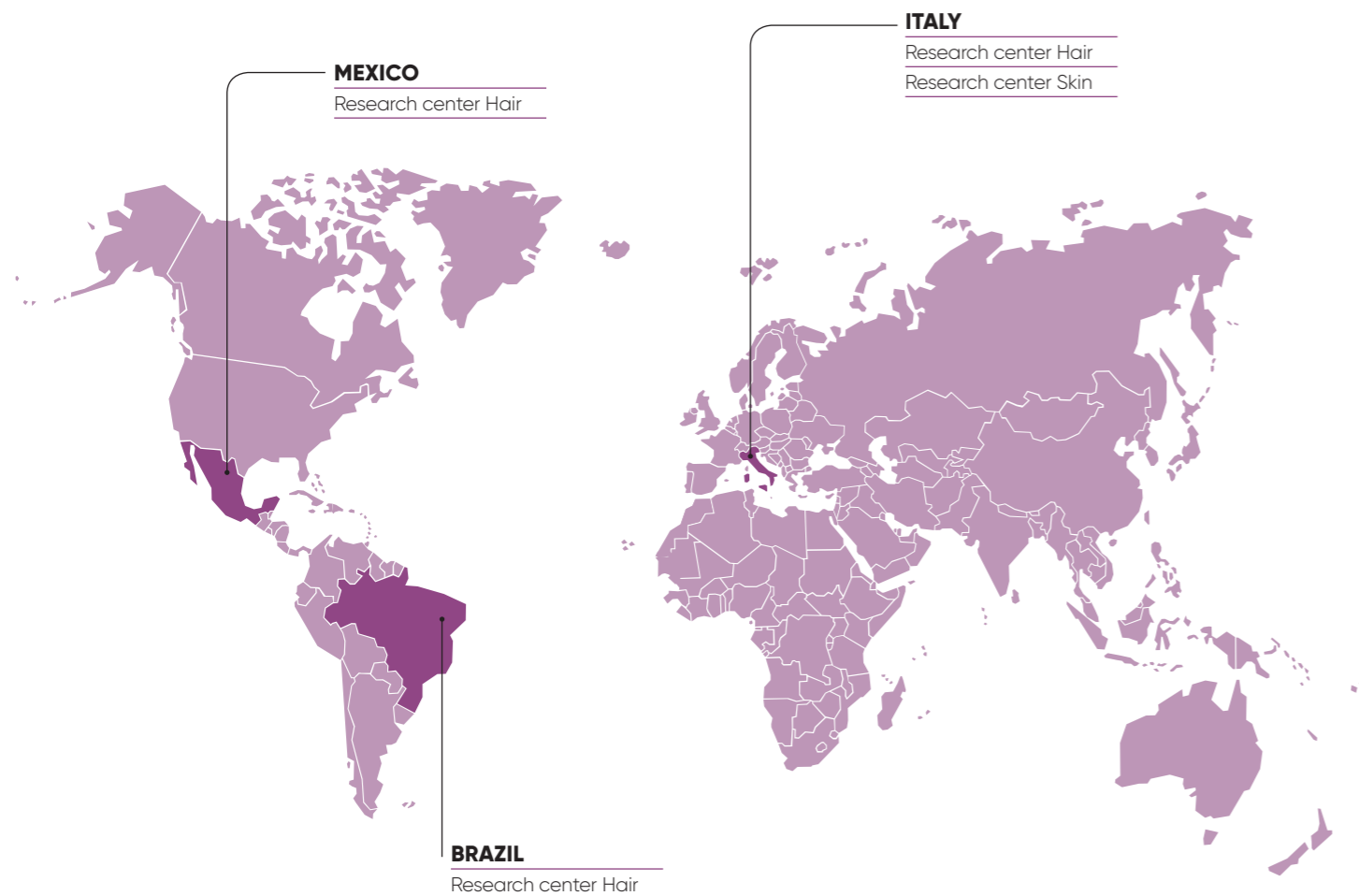
Sustainability Plan: Creating long-term value through innovation



RESEARCH CENTERS

The Group's goal is to create safe, high-quality, high-performance products. Research and development, as well as an orientation towards innovation, are part of the Alfa Parf Group's identity and have always been distinctive features of the Group in its market.

Working alongside professionals from all over the world has allowed us to develop the ability to seize new trends and channel them into the research and development of new products, treatments and services to be offered to professional and non-professional customers. Moreover, the Private Label division has always been a powerful driver of growth and improvement for Alfa Parf Group: the search for evermore innovative, high-performance and sustainable proposals and solutions contributes to stimulating and strengthening the continuous improvement process that characterises the Group.



To date, the core of Research and Development is conducted at the laboratory in Osio Sotto (Bergamo), headquarters of the Parent Company, where raw materials are evaluated and selected, product formulas are studied, and tests are carried out through a technical center for Haircare and a pilot center for Skincare. In addition to the central laboratory, Alfa Parf Group has three further research centers, of which another located in Italy at the headquarters of the newly acquired Tricobiotos, one in Mexico and one in Brazil. In addition, the Group also conducts research on machinery for professional beauty centers through the company Dea Project S.r.L.



RESEARCH AND DEVELOPMENT

In addition to safety, quality and performance, consumer attention is also increasingly shifting to the search for products with clean, natural, organic, vegan and biodegradable formulations. To respond to these new needs, Alfaparf Milano’s strategy focuses on two main activities: the expansion of its offer with the launch of new sustainable brands and lines - a clear example of this is the skincare brand OLOS, the restaging of which took place in 2021, and the launch in March 2023 of the haircare brand Benvoleo - on the one hand, and the gradual introduction of sustainability elements in the lines currently in the portfolio on the other - for example the use of natural ingredients, removal of metal in the Semi di Lino line or the use of high percentages of plastic for the jars and bottles of both skin and hair products.

One of the Group’s strengths is the constant search for high-quality, high-performance and innovative formulations, without neglecting the protection of the planet. Precisely for this reason, starting in 2020 Alfa Parf Group decided to calculate the percentage of naturally derived ingredients (Natural Index) in its formulations using the criteria established in ISO 16128. In addition, in order to maintain the control and monitoring of ingredients and raw materials, a database has been implemented for all Group production plants indicating, for each item and supplier, whether the ingredient is of natural derivation, of renewable origin and has sustainability characteristics and certifications (COSMOS, NATRUE, RSPO, etc.). This database, which will also be implemented in the newly acquired companies in the near future, is an important tool to improve the management of the formulation process, to monitor the trend of raw material purchases at Group level, especially in relation to sustainability characteristics, and to calculate the natural index of products.

The most innovative projects developed in 2022 include the haircare product line of Benvoleo, a new Alfaparf Milano brand with a “natural” positioning, and the skincare product line of Solarium.

All Benvoleo’s assets are characterised by a low environmental impact thanks to biodegradable formulations with a high natural index and reduced water impact, and essential, lightweight packaging made of recycled and recyclable raw materials.

Solarium Sun Lovers is the Alfaparf Milano sun protection product line that uses specially designed and selected screens to have the least possible impact on the marine environment. In addition to the impact of the sun screens, great attention has been paid to formulations that provide high UVB and UVA protection and offer high resistance to seawater, making the products very high-performance and designed to have a limited impact on the marine environment.

Research and development not only concerns formulations but also the identification and development of analytical methods to support new claims. Two new methods were developed in 2022 to investigate the properties of hair in terms of both the oxidative level of bonds and their cross-linking, including weak bonds, in the cortex of the hair fibre.

FOCUS ON

PATENTS AND INTELLECTUAL PROPERTY

In order to protect research and development in the field of innovation, Alfaparf Milano carries out intensive patenting. Indeed, patents are the Group’s main form of protection on the results of research activities conducted, and allow it to support innovation and the development of new technologies. Two new patents were filed in 2022 (compared to four filed in 2021), both related to haircare and reconstruction products.

In particular, one patent describes a new ingredient that can be used in haircare products; while the second patent describes a method and products through which certain technical treatments - such as coloring or bleaching - are improved through properties that reconstruct the chemical-physical content of the hair fibre.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Certify the biodegradability of formulas	Consolidate the choice of standard protocol for testing the biodegradability of cosmetic formulas	December 2022	Achieved
Strengthen the support of performance claims	Strengthen new instrumental protocols to study and support product development and performance claims	Ongoing	Achieved by 2022



PRODUCTIVE CAPITAL

Sustainability Plan

Mitigating climate change



LAUNCHES AND MARKETING ACTIVITIES

Alfa Parf Group is committed to quickly and effectively responding to market developments, offering haircare, skincare and tech solutions that combine the uniqueness of Made in Italy with needs and insights from around the world. The Group's launches are intended to consolidate the Group's clear, distinctive and relevant identity, confirming Alfa Parf Group as a partner in beauty for both professional and end customers.

There were several highly innovative launches in 2022 as well as a restaging, with an increasing focus on sustainability. The main launches and marketing activities of the Alfaparf Milano brands in 2022 and early 2023 are briefly outlined below.

HAIRCARE ALFAPARF MILANO PROFESSIONAL

COLOR WEAR: Color Wear is Alfaparf Milano Professional's vegan coloring system with patented arginine-based technology that aims to meet all possible needs of every woman. The system consists of two complementary textures: a liquid one that creates a translucent result, and a cream one which creates an even result and 100% coverage. With the addition of new nuances in 2022 for brunettes and the enhancement of the blonde offer, COLOR WEAR GLOSS TONER proposes 100 nuances in two textures, offering an answer to every need in the world of tone-on-tone coloring.

EVOLUTION OF THE COLOR – SUEDES: Alfaparf Milano Professional has always proposed the trends of the moment in its salons; in 2022 it launched SUEDES, the new family of the EVOLUTION OF THE COLOR line, composed of elegant and sophisticated nuances that adapt to every complexion, enhancing it. The six new nuances are presented through the SENSES collection consisting of six looks - Serenity, Emotion, Nature, Substance, Elements and Skin - which perfectly convey the concept of how important it is to return to be in contact with our genuine senses.

KERATIN THERAPY LISSE DESIGN: Research is a must for Alfaparf Milano Professional, the leading Italian brand in the professional haircare sector; this is why it has always been a pioneer in the development of innovative high-performance technologies in line with the latest market demands. This is the case of KERATIN THERAPY LISSE DESIGN, the professional system with keratin that has offered clear, lasting straightening and smoothing performance for ten years, and was proposed in a new and elegant range in 2022 renewed both in its formulas and in its even more precious and contemporary packaging.

SEMI DI LINO: In addition to its distinctive Italian traits, technological innovation, professional quality and natural origin, Semi di Lino has demonstrated a renewed commitment to help to preserve the beauty of the planet as well. This is why a series of actions were undertaken in 2022 to reduce CO2 emissions into the atmosphere and reduce the impact on the environment: packaging with recycled plastic and elimination of metallisation; vegan and biodegradable formulas.

BB Bleach restage: Alfaparf Milano presented the renewed BB BLEACH line of bleaching powders in 2022, capable of satisfying the whole Blonde & Brunette world. Now with Bond System protection technology, the line provides safe results and guaranteed performance, all in a vegan key with no ingredients of animal origin or derivation.

FOCUS ON

BENVOLEO – TOGETHER WE CARE

Launched in March 2023, Benvoleo is Alfaparf Milano's most comprehensive and concrete response to the Sustainable Development Goals expressed in its Sustainability Plan.

With a range of professional, customisable products and treatments with surprising results while respecting hair, people and the planet, Benvoleo is the professional brand that seeks to bring a transparent, responsible and participative idea of beauty to the haircare world, placing a clean, sustainable approach at the heart of its work, without ever compromising performance.

Benvoleo is a concrete example of integrating environmental and social sustainability into the business strategy: the packaging and formulations have been designed to reduce environmental impact from the design stage, and the project includes several CSR activities linked to initiatives with positive environmental and social impacts, including:

- **Agrocortex Project:** A project to protect the Amazon rainforest by combating deforestation to fight climate change, supported through the purchase of carbon credits precisely offsetting the CO₂ emissions of the primary and secondary packaging of the products in the range
- **Parks for the Climate Project:** A project to protect biodiversity and forest ecosystems in the Tuscan-Emilian Apennine Biosphere Reserve, an area where the range's main active ingredient, hyper-fermented oak bark, may be found.

In addition to CSR initiatives, the launch of Benvoleo is also accompanied by the creation of a seminar for professional customers to promote and support the culture of sustainability and provide hairstylists not only with up-to-date knowledge on exclusive products and treatments, but also with sustainability concepts and more practical elements, such as examples of good practice for a "sustainable salon". Benvoleo represents the new level of approach and quality that the Group seeks to achieve and maintain for future lines that it will launch with natural positioning.



YELLOW PROFESSIONAL

YELLOW Star: Alfaparf Milano launched a new care line suitable for all hair types in 2022, capable of rekindling natural radiance and giving immediate shine to even the duller hair. Enriched with Mullein Flower, its photoluminescent properties adds brightness and shine to the hair by protecting it and transforming UV rays into a source of light, while the Pomegranate Oil rich in vitamins and anti-oxidants has an illuminating, anti-oxidant power.

YELLOW Pure Toners: The ammonia-free demi-permanent color with an extra care effect, suitable for both toning down bleached hair and for maintaining the color between one highlights service and the next. It is enriched with quinoa, a “superfood” that helps to protect and intensely repair hair, improving the absorption of color into the fibre and also increasing its longevity over time, and lastly camellia oil for moisturised, soft and shiny hair.

SKINCARE DIBI MILANO

FACE CARE: In 2022, DIBI Milano enriched its facial range by focusing on essential skincare lines as well as line extensions. In particular, DEFENCE SOLUTION was launched: a line of self-care products and in-situ treatments for sensitive, intolerant and reactive skin, which acts against redness, hypersensitivity, dryness and skin tingling. In addition, the range of the ACID INFUSION line - DIBI Milano’s first youth-revealing, renewing, bio-activating line - was expanded with the NO-AGE RENEWING HAND CREAM and BEAUTY CARE.

BODY CARE: The body range was also expanded, with a focus on self-care including innovative, great impact proposals. MISSION SHAPE DREN was launched in 2022, the reducing bandage for localised shock treatment against cellulite and excess fluid, ideal for reshaping the silhouette. Finally, the body range saw the launch of BODYVITALITY, a new multi-function skin line for those seeking renewal, hydration and nourishment.

BECOS

FACE CARE: Rebranding activities continued in 2022 with the launch of the ACID REGENERATION line, an innovative facial treatment with a renewing, regenerating action. Thanks to a scientifically advanced pool of active ingredients, it regenerates the epidermis, stimulates skin renewal and collagen production, and effectively counteracts the signs of ageing and photo-ageing damage. This is a targeted programme to treat all skin types and the visibility of imperfections such as scarring, uneven texture, blemishes and dull complexion, while strengthening the skin barrier. In addition, two fundamental facial lines for the beauty channel were renewed, the CALM line and the PURE line, which respond to two specific requests related to sensitive and impure skin.

BODY CARE: The range of body products was also expanded with new retail products from the SUPERBODY line, including the light leg draining cream-gel which relieves the feeling of heaviness in the legs, giving relief, the two-phase reducing spray fluid with total body slimming action, a 21-day intensive slimming programme to specifically combat fat deposits, and the extreme anti-cellulite capsules for an intensive shock treatment against cellulite imperfections.

OLOS

FACE CARE: New professional treatments were launched in 2022 to be carried out at OLOS beauty centers, addressing specific market needs such as exfoliation, hydration and anti-ageing of the skin.

BODY CARE: The body range was also revamped in 2022, confirming its positioning with

the launch of a new professional anti-cellulite treatment to be carried out in cabins and the corresponding self-care product to be carried out independently at home, and three additional self-care products to slim, tone and exfoliate the body.

TEN SCIENCE

FACE CARE: TEN Science’s range of products for the face was further strengthened in 2022 with the launch of NO IMPURITY, the purifying and sebum-regulating line for impure skin with precious active ingredients aimed at regularising sebaceous secretion, with an astringent action on the pores, perfect for combination, impure, oily and acne-prone skin.

BODY CARE: The main launch in 2022 for the body range is SLIM SILHOUETTE, a slimming body line for the waist and hip areas, which redefines the silhouette. An innovative, concentrated formulation designed to reduce localised adipose tissues by slowing the formation of rebellious roundness.

FOCUS ON

SOLARIUM – SEA LOVER

The end of 2022 saw the rebranding and repositioning of Solarium, revolutionising the solar world with SOLARIUM SEA LOVER. A range of products that contain a pool of innovative sunscreens that provide maximum protection and have a reduced impact on the marine environment thanks to ultra-water-resistant formulas that are biodegradable in salt water. Product packaging is made from recycled and recyclable materials.

At the heart of the formulas are latest-generation sunscreens that deliver wide-ranging, stable protection with optimal skin tolerability and a reduced impact on the marine environment.

A complete line of sun care products to be used before, during and after sun exposure, featuring surprisingly sensory and pleasant textures combined with irresistible fragrances capable of evoking the warmth of summer.



DECODERM

The perfect combination of skincare and make-up innovates with SKIN METAMORPH, the new filter-effect facial products for perfect offline make-up. Make-up base, fluid concealer and anti-ageing foundation feature new textures that perfect the skin with total transparency and lightness.

**TECH
APG MEDICAL**

Created in 2021, APG MEDICAL is the medical division of Alfaparf Milano for marketing state-of-the-art Made in Italy medical devices. In 2022, the shells of the technology machines were replaced with 100% recycled plastic, and all manuals were replaced with QR codes containing all the information needed to operate the machines correctly.

APG TECH

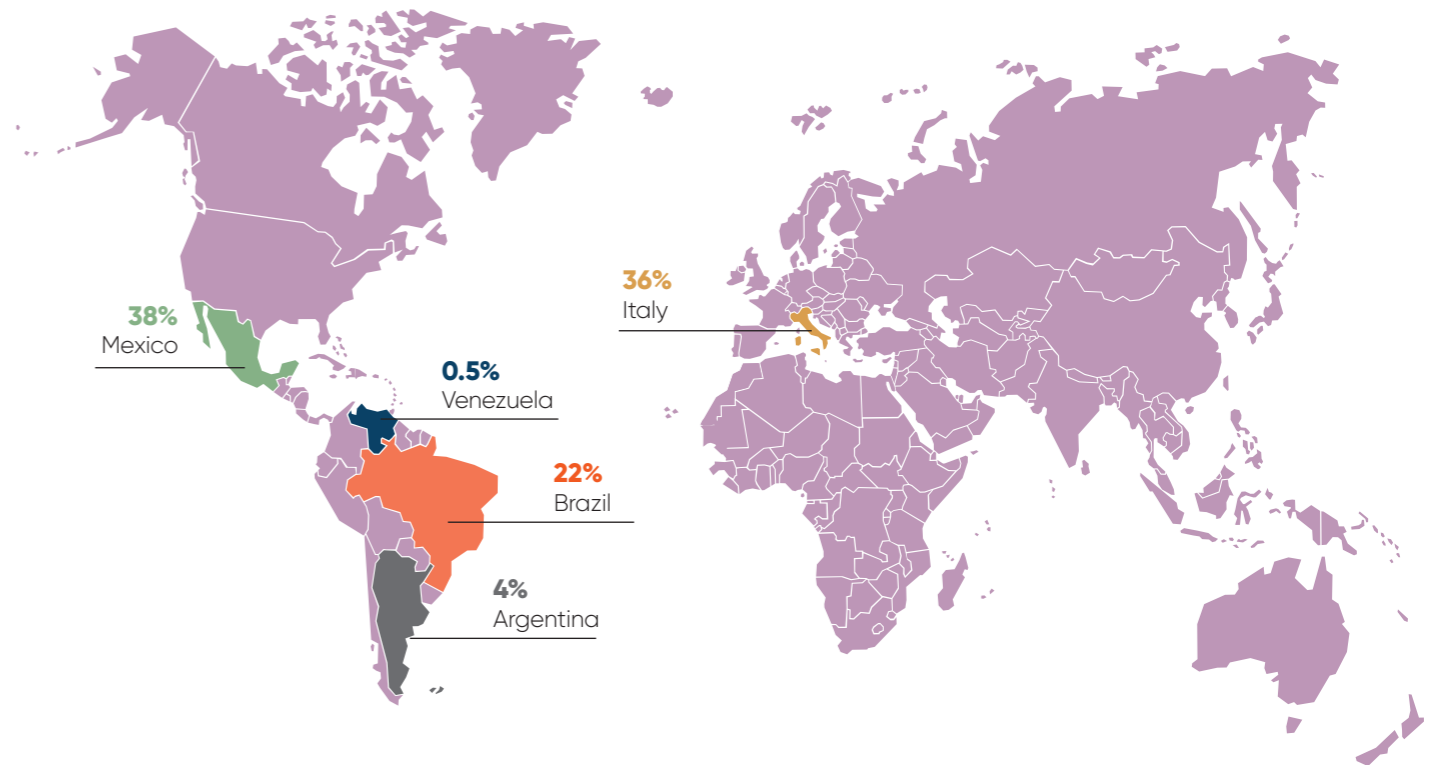
Two new technologies were launched in 2022, the perfect combination of design, innovation, technology and results. SHAPEDEFINE is the multifunctional body equipment for reshaping the silhouette, which exploits the synergistic action of three different technologies: radiofrequency, endomassage and vacuum. GOLDEN APG is multi-polar resistive radiofrequency with gold-plated applicators, ideal for skin rejuvenation and tissue firming. Both new devices feature 100% recycled plastic casing.



PRODUCTION

The Group manages the entire production cycle of its lines in-house, from design, research and development to production and marketing. In addition to ensuring full control from a quality point of view, this represents a strength in terms of achieving product sustainability goals. The company's strategy is to focus on a product that is high performing and of excellent quality, capable of satisfying all types of customers, while seeking to minimise the environmental impacts of the production process and product, all while protecting the rights of people and communities.

Pieces produced in 2022 by production site



The production of 2022 was in line with that of 2021. In particular, the Italian plant recorded a 10% increase in the number of pieces produced compared to the previous year, followed by the Argentine plant, which produced around 7% more than in 2021. By contrast, the output of the Group's other production plants remained virtually unchanged. The Mexican plant produced about 38% of the Group's total production (Alfaparf Milano and Private Label products), followed by the Italian plant (about 36% between own-brand and third-party products) and the Brazilian plant (22%).

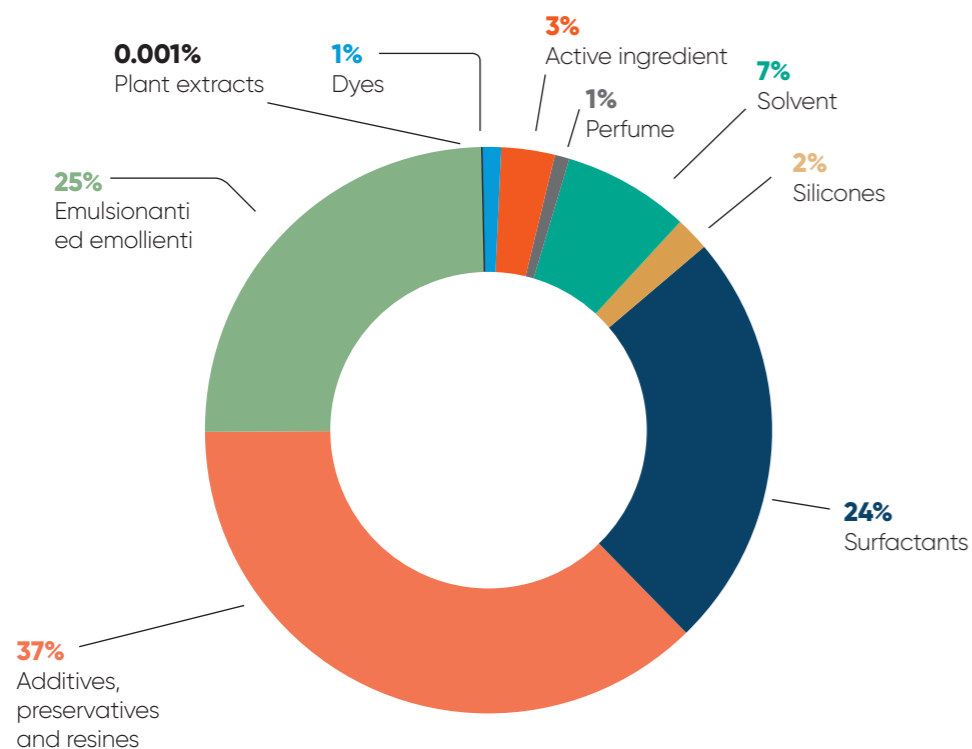
INGREDIENTS

In order to offer the market products with high-performance, safe formulations and a high quality standard, Alfa Parf Group has made the research, selection and knowledge of raw materials one of its strengths. This distinctive feature is recognised by the reference markets, and is also due to the fact that the R&D laboratories conduct chemical and physical analyses on the ingredients, in order to better assess their composition and quality standards.

As for the classification of raw materials used in the production cycle, there is a large number of fragrances (perfumes) and active ingredients, which are fundamental categories for the positioning and recognition of Alfaparf Milano products and brands. This leads to a natural increase in the number of codes belonging to these types of ingredients, in amounts proportional to the development of brands and the Private Label business, constituting an indicator of the development of new items and, secondarily, of the business itself.

The information and characteristics of all ingredients purchased, as well as the approval of alternative suppliers in order to ensure supply continuity, are constantly managed and monitored thanks to a database implemented since 2021. In addition to procurement, the database allows monitoring documentation, protocols and test management, including the results of analytical tests performed. In addition, in order to collect and analyse information regarding the CLP classification of substances and mixtures for the safety of the raw materials used, in 2022 Alfa Parf Group acquired licences and implemented specific software that allows the risks associated with certain raw materials to be monitored and that indicates the protective equipment needed to handle them. Analytical testing activities continued regardless, in order to support the classification of products and bulk in the cases where the CPL software did not provide a level of information deemed sufficient for full ingredient knowledge

Ingredients in 2022 by type



Ingredients purchased, divided by macro-category and origin (tonnes)

31.12.2022¹⁰

	Ingredients derived from non-natural raw materials	Ingredients derived from natural raw materials	Total	Ingredients from certified sources (Natrue, RSPO, Cosmos)
Dyes	100.0	0.6	100.6	0.2
Active ingredient	236.3	80.6	316.9	24.6
Perfume	112.3	2.4	114.7	5.6
Solvent	540.2	127.4	667.6	79.6
Plant extracts	4.3	0.5	4.7	0.1
Silicones	211.2	2.4	213.6	-
Surfactants	1,306.9	1,067.3	2,374.3	1,053.5
Additives, preservatives and resins	2,765.1	915.6	3,680.7	70.7
Emulsifiers and emollients	1,030.1	1,501.9	2,531.9	374.6
Other	0.1	-	0.1	-
TOTAL	6,306.4	3,698.6	10,005.1	1,608.9

31.12.2021

	Ingredients derived from non-natural raw materials	Ingredients derived from natural raw materials	Total	Ingredients from certified sources (Natrue, RSPO, Cosmos)
Dyes	94.6	0.5	95.0	-
Active ingredient	279.5	64.2	343.7	21.7
Perfume	99.7	0.5	100.2	7.7
Solvent	421.6	112.3	533.9	60.1
Plant extracts	4.0	0.4	4.4	0.1
Silicones	159.2	-	159.2	-
Surfactants	1,056.6	909.9	1,966.5	947.8
Additives, preservatives and resins	2,115.0	820.2	2,935.2	48.4
Emulsifiers and emollients	789.4	1,438.2	2,227.6	383.2
Other	-	-	-	-
TOTAL	5,019.6	3,346.1	8,365.7	1,469.0

A total of just over 10,000 tonnes of ingredients were purchased in 2022, of which 725 tonnes related to the newly acquired production company Tricobiotos S.p.A., an increase of about 20% compared to 2021 (+11% compared to 2021 if the Tricobiotos figure is not taken into account), due to the full resumption of production activities and the boost in business, which recorded a strong increase, as well as the inclusion of Tricobiotos in the reporting scope.

The Group's commitment to the use of naturally derived and/or certified ingredients in skin and hair formulations continues. The purchase of ingredients of natural origin increased by around 11% in 2022 compared to 2021, and considering the total purchased, account for 37% of the total ingredients purchased for the production of Alfaparf Milano and Private Label products (40%, in line with 2021, if the contribution of Tricobiotos to the total

¹⁰ Since the company Tricobiotos S.p.A. was acquired during the year and the company does not have all the required information on the naturalness of ingredients, as a precautionary measure it was decided to indicate all the ingredients purchased by the company as being of non-natural and non-certified origin. The data for natural and certified ingredients reported are therefore directly comparable with those for 2021. The Group is committed to implementing the database and the best practices adopted by the Parent Company in the near future, including in newly acquired companies, in order to ensure complete and comparable information, as well as economies of scale.

is not taken into account). Ingredients of certified origin, accounting for 16% of the total purchased (17% when considering purchases net of Tricobiotos, in line with 2021), also increased by about 10% compared to 2021.

In particular, with regard to emulsifiers and emollients, additives, preservatives and resins, and surfactants, which account for about 86% of the total ingredients purchased in 2022, the proportion of natural and certified raw materials is 41% and 17%, respectively.

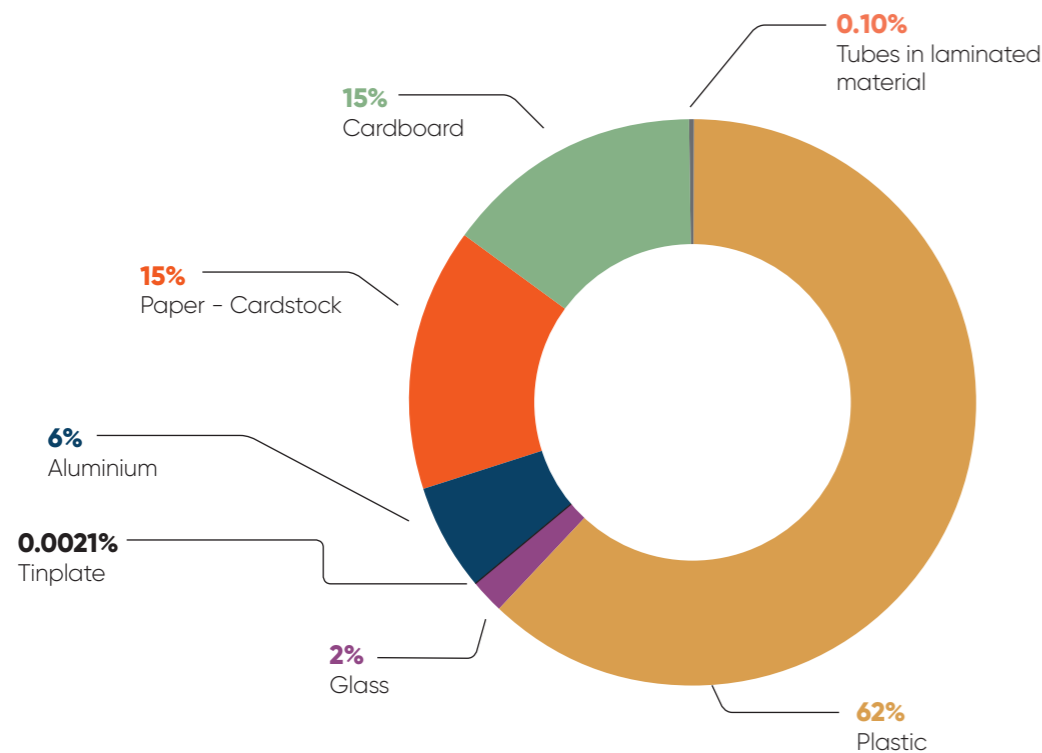
PACKAGING

All the materials that make up the packaging of Alfaparf Milano products fall into the macro-categories defined in the international environmental field and are considered recyclable at the end of their service life, in accordance with environmental recycling standards. All the packaging in contact with the product is in compliance with regulations in cosmetics and the laws and regulations of each country where the products are marketed.

A great deal of attention was paid to the use of sustainable packaging throughout 2022, in particular the use of recycled plastics (PCR and PIR) was increased, as well as aluminium from industrial recycling and FSC-certified paper and cardboard from recycling chains. In addition, the first compatibility studies were carried out for the use of post-consumer aluminium.

A total of approximately 11,500 tonnes of packaging materials were purchased in 2022, of which 406 tonnes related to Tricobiotos S.p.A., an increase of 57% compared to 2021 (+52% compared to 2021 if the Tricobiotos figure is not taken into account), due to the full resumption of production activities, the boost of business, and the inclusion of Tricobiotos in the reporting scope. The most commonly used materials are plastic for jars and bottles, accounting for 61% of the total weight purchased, followed by paper and cardboard (about 30%), used for most secondary packaging.

Packaging materials in 2022 by type



Packaging materials purchased, divided by macro-category and origin (tonnes)

31.12.2022

	Packaging from non-renewable raw materials	Packaging from recycled raw materials	Total	Percentage of recycled material purchased for packaging	Packaging from certified source (PIR/PCR, FSC)
Plastic	6,942.3	121.6	7,063.9	2%	78.3
Glass	216.6	14.6	231.2	6%	-
Aluminium	467.8	218.5	686.3	32%	-
Paper - Cardstock	1,176.3	554.8	1,731.2	32%	943.8
Cardboard	906.9	865.7	1,772.5	49%	807.0
Tinplate	11.0	-	11.0	0%	-
Tubes in laminated material	0.2	-	0.2	0%	-
TOTAL	9,721.1	1,775.1	11,496.2	15.4%	1,829.1

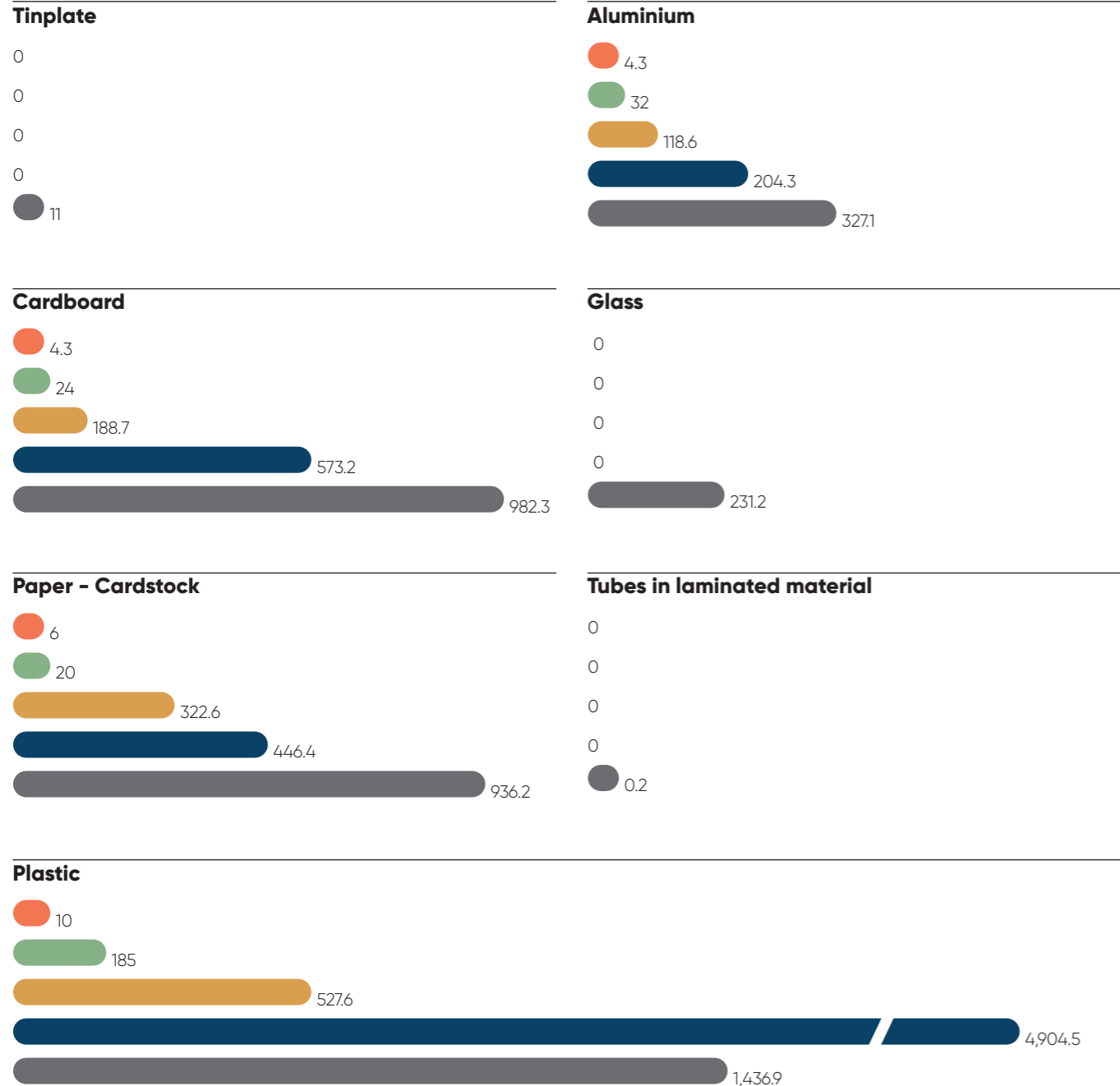
31.12.2021

	Packaging from non-renewable raw materials	Packaging from recycled raw materials	Total	Percentage of recycled material purchased for packaging	Packaging from certified source (PIR/PCR, FSC)
Plastic	3,379.57	22.29	3,401.86	1%	-
Glass	172.00	14.59	186.59	8%	-
Aluminium	453.27	184.13	637.40	29%	-
Paper - Cardstock	888.50	585.62	1,474.12	13%	884.84
Cardboard	820.85	795.12	1,615.97	35%	731.48
Tinplate	0.91	0.00	0.91	0%	-
Tubes in laminated material	-	-	-	-	-
TOTAL	5,715.11	1,601.75	7,316.86	13.5%	1,616.3

Despite the occurrence of structural shortages of certain categories of recycled raw materials, the long-term contracts signed with suppliers to ensure full coverage of requirements ensured that the Group could continue to achieve its targets related to the use of secondary raw materials in packaging, albeit with less momentum than desired, registering an increase of almost 2 percentage points of recycled materials used for packaging (15.4%) compared to 2021 (13.5%). Regarding certified materials, in general, 16% of the materials used for the primary and secondary packaging of Alfaparf Milano products are certified. In particular, 52% of paper and cardboard is FSC-certified, in line with 2021, while the Group is also starting to pay attention to the use of PCR (Post Consumer Recycling) and PIR (Post Industrial Recycling) certified plastics, an activity that will continue in the coming years.

Packaging materials in 2022 by type and production plant (tonnes)

- Venezuela
- Argentina
- Brazil
- Mexico
- Italy



The Group continues its efforts to reduce the environmental impact of its packaging by acting on four fundamental guidelines, in line with last year:

1. Elimination of unnecessary packaging. 2022 saw the continuation of activities related to the elimination of unnecessary packaging of a large part of the Alfaparf Milano brand lines and products through the replacement of physical components with digital solutions (e.g., leaflets containing all product information and how to use it are replaced by QR codes), or by eliminating plastic shrink wrapping.

2. Lower packaging weight and, in some cases, replacement of packaging. The Group has focused on lowering the weight of primary packaging in recent years, together with the use of an increasing percentage of recycled materials. One of the most significant projects in 2022 involved reducing the weight of plastic used for the 500ml and 1lt shampoo and conditioner bottles of Il Salone Milano by 20% and 33%, respectively, with a total estimated saving of over 13 tonnes of plastic. Another interesting project in 2022 concerned the launch of the new Solarium Sea Lover line, where the packaging of the spray and lotion dispensers was re-designed to be free of detachable parts, eliminating the risk of losing plastic in the environment, while preserving product safety through the use of a safety closure system via a switch.

3. Use of recycled and recyclable materials. There was an increase in the use of recycled and recyclable materials for the primary and secondary packaging of Alfaparf Milano products in 2022, in the haircare, skincare and tech lines. The most significant projects on the skincare side include Ten Science's No Impurity line, where the packaging was replaced with a more sustainable alternative featuring a 100% recycled and infinitely recyclable aluminium tube and a 100% recycled plastic cap, instead of the classic plastic tube. On the haircare side, the Semi di Lino line features recyclable primary packs with percentages of recycled plastic ranging from 50% to 70%, and in some cases 100%, recycled glass up to 38% and recyclable cartons made of FSC-certified paper.

4. Offsetting CO₂ emissions from packaging where no further reduction is possible. For both of Alfaparf Milano's sustainable brands - Olos for skincare and Benvoleo for haircare - it was decided to calculate and offset the CO₂ emissions associated with the production of the packaging materials used for all the ranges.

FOCUS ON

SEMI DI LINO NO METAL

Winner of the first prize at The Procurement Awards 2022 in the category "Innovation in Procurement", the No Metal project involved the elimination of the metallised finish from the packaging closures of Semi di Lino retail products.

The benefits associated with this project are tangible:
A. Recyclability: The mechanical recycling process of the product is facilitated thanks to the absence of metallised components, as mechanical recycling technologies do not universally allow the separation of multi-materials without compromising the quality of the regenerated granule.

B. Reduction of consumption and CO₂ emissions: The project drastically reduced consumption related to the transport (both intra-group and with suppliers) of metallised components, with a consequent reduction of connected greenhouse gas emissions.



FOCUS ON**OLOS WITH LIFEGATE TO REDUCE THE ENVIRONMENTAL IMPACT OF ITS PACKAGING**

OLOS is a partner of LifeGate and adheres to the Impatto Zero® project - a project that contributes to the creation and protection of growing forests through the purchase of carbon credits, supporting energy efficiency and renewable energy production projects by offsetting CO₂ emissions attributable to the packaging of its face and body products for consumers. OLOS followed the steps below to participate in this project:

1. Study of lightweight packaging made of recycled and recyclable raw materials.
2. Estimation of greenhouse gas emissions generated by packaging using a scientific method based on life cycle assessment (LCA).
3. Offsetting of calculated emissions with the purchase of carbon credits generated through the creation and protection of growing forests in Madagascar.

Together with LifeGate, OLOS estimated a total of 87,568 kg of CO₂ emitted from the packaging of its face and body products over two years, purchasing carbon credits from the forestry sector covering an area of 76,394 m² with approximately 11,600 trees.

TECHNICAL AND PROMOTIONAL ITEMS

The Group makes conscious and responsible choices when sourcing technical and promotional items, choosing recycled materials and certified partners for the supply of tools and accessories to its hairdressers and beauticians.

Starting in July 2022, the technical tools essential for color services and beyond supplied to professional customers, such as bowls, brushes, bottles, color aprons and capes under the Alfaparf Milano Professional and Yellow Professional brands, have been made of 100% recycled plastic, while the t-shirts and color towels are made of cotton supplied by an Oeko -Tex Standard 100 certified partner.

As far as skincare is concerned, a Global Recycled Standard and Organic Content Standard-certified organic and recycled cotton smock was created for the OLOS brand in 2022. The organic cotton rules ban hundreds of toxic substances and lay down strict regulations to protect both the land where the cotton is grown and the conditions of the workers.

As for the gadgets that accompany the beauty routine of Alfaparf Milano brand products, the trend is to choose accessories that are functional but at the same time environmentally friendly thanks to the use of recycled plastic, or the replacement of disposable accessories with reusable versions.

The use of recycled and recyclable materials is also favored in communication and display materials. In particular, a technical format and structure was chosen for window and counter advertising signs, minimising the use of cardboard and saving around 1,500 kg of cardboard per year. Another popular communication tool is window decals with a double image on the front and back. Thanks to careful market scouting, a 100% recyclable polypropylene substrate was identified, replacing the multilayer polystyrene that must be disposed of as unsorted waste, which will reduce the weight of each item with an estimated saving of around 5,000 kg of plastic.



PRODUCT SAFETY AND COMPLIANCE

For Alfa Parf Group, product quality and safety are two fundamental pillars of the company's operations and essential requirements for maintaining and strengthening the Group's competitive market position and reputation.

The safety of the products developed and marketed under the Alfaparf Milano brand, as well as the products for Private Label customers, starts from in-depth knowledge of the raw materials and the substances of which they are composed. Product safety is guaranteed by complying with European legislation on the use of raw materials and by verifying external and independent studies specialising in cosmetic product safety (toxicology) and the base formulas of the product to be made. Furthermore, by marketing its products in markets other than Europe, the Parent Company's Regulatory Department works to ensure that the regulatory requirements of foreign markets are complied with and met.

To ensure cosmetic product safety, each new item undergoes skin compatibility tests (patch tests) and preservative system resistance tests (challenge tests), as well as an assessment of the potential impact on the health and safety of the end consumer, in order to ensure maximum safety during use, also through the specific presence of warnings and directions for use.

In order to ensure an ever-increasing level of product safety, licences were acquired in 2022 for the use of software that provides access to a database on the hazard classification of substances, bulk and finished products. This software, together with the introduction already in 2021 of a professional figure within the company who is in charge of assessing product safety, makes it possible, on the one hand, to have very specific skills and to be able to use them at all times with speed and reliability, and, on the other hand, to reduce the risk of a non-compliant product being developed, produced and marketed.

Thanks to the product development procedure adopted by the Group, the constant review of formulas, declarations and information in the graphics, and all the tools and controls adopted by the Group as described above, in 2022, there were no ascertained cases that resulted in a sanction or warning relating to the health and safety impacts of the products and services offered, as well as no cases of non-compliance concerning labelling and information about the products and services offered. The only dispute concerned marketing activities, and more specifically, the name of a product of the OLOS brand. Following the report, the name was changed within the timeframe agreed with the counterparty, without any commercial or image impact.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Introduce the use of sustainable technical materials for professional customers	Production and distribution to beauticians using the OLOS brand of smocks made of 100% organic, recycled cotton with Global Recycled Standard and Organic Content Standard certification. Provide hairdressers with technical tools made of recycled and recyclable plastic.	December 2022	Achieved
Increase the use of certified paper and cardboard	Replace virgin paper boxes for the Semi di Lino line with FSC-certified paper boxes	December 2022	Achieved
Increase the use of recycled glass	Introduce the use of recycled glass (minimum 30%) for the Sublime Crystals Semi di Lino line.	December 2022	Achieved
Reduce metallisation	Eliminate metallisation (Project Zero Metal) from Semi di Lino bottle closures and Luxury Skin jar closures, thereby reducing CO ₂ emissions.	December 2022	Achieved
Reduce pack weight	Lightweight bottles and caps of shampoos for the Il Salone Milano retail line.	December 2022	Achieved
Increase offsetting of packaging-related CO ₂ emissions	Launch a new hair line with offset CO ₂ emissions from packaging materials.	December 2022	Achieved Benvoleo launch in March 2023
Eliminate paper leaflets	Elimination of 100% of paper leaflets from the cartons of colors produced by Tricobiotos, aligning them with those of Alfaparf Milano.	December 2023	Completed
Increase the use of certified and/or recycled paper and cardboard	Replacement of virgin cardboard in Tricobiotos branded color cartons with 90% to 100% recycled and FSC-certified paper.	December 2023	Completed
Reduce the use of plastic and unnecessary packaging components in skincare lines	Eliminate unnecessary packaging, resulting in a reduction in the use of plastic, from Becos and Ten Science brand products, such as cellophane and shrinkwrapping, and introduce more sustainable antiburglary devices (application of anti-burglary stickers).	December 2023	Underway
Obtain PSV (Plastic Second Life) certification	Acquire, through cooperation with manufacturers and suppliers, PSV certification for the main primary packaging (bottles, jars, caps) in order to ensure the identification, traceability and percentage content of recycled plastics from postconsumer or preconsumer waste or their blends for packaging production. Specifically, the PSV logo will certify that the packs subject to certification will be made from at least 30% polymers derived from separate waste collection.	December 2024	Underway
Use recycled plastic for cream activators	Study and identification of commercial partners capable of blowing multilayer HDPE bottles to make 30% to 50% recycled plastic bottles for oxygen/cream activators, without compromising product and end-user safety.	December 2024	Underway
Increase the use of recycled plastic	Create packaging with an increased percentage of PCR (Post Consumer Recycling) recycled plastic.	Medium to long term	Underway



HUMAN CAPITAL

Sustainability Plan

Caring for employees, customers and local communities, promoting inclusion and empowerment



EMPLOYEES

Alfa Parf Group considers its people fundamental resources in guaranteeing the creation of shared value in a lasting and constant way over time: indeed, it is only thanks to the professionalism and dedication of each employee that the company's objectives can be achieved. This is why the Group strives to enhance the value of its employees by organising training sessions aimed at increasing their personal and professional skills.

Alfa Parf Group promotes the growth of its people in full respect of the principles of fairness and impartiality, avoiding favoritism and discrimination in the management of its employees. Furthermore, with a view to promoting a corporate culture characterised by the values of integrity, honesty and responsibility, the Group has adopted a Code of Ethics which forms an integral part of the 231/2001 Organisation Model and provides the guiding principles of conduct that must be observed and respected by all.

In order to provide an accurate overview of the workforce, in 2022 Alfa Parf Group decided to change the classification of contract types and job classifications compared to previous years. For this reason, the comparison between the years 2021 and 2022 can only be made on the total data.

Employees 2022 by contract type

	Women	Men	Total
Permanent	1,151	1,042	2,193
Fixed term	38	28	66
TOTAL	1,189	1,070	2,259
Full-time	1,162	1,064	2,226
Part-time	27	6	33
TOTAL	1,189	1,070	2,259

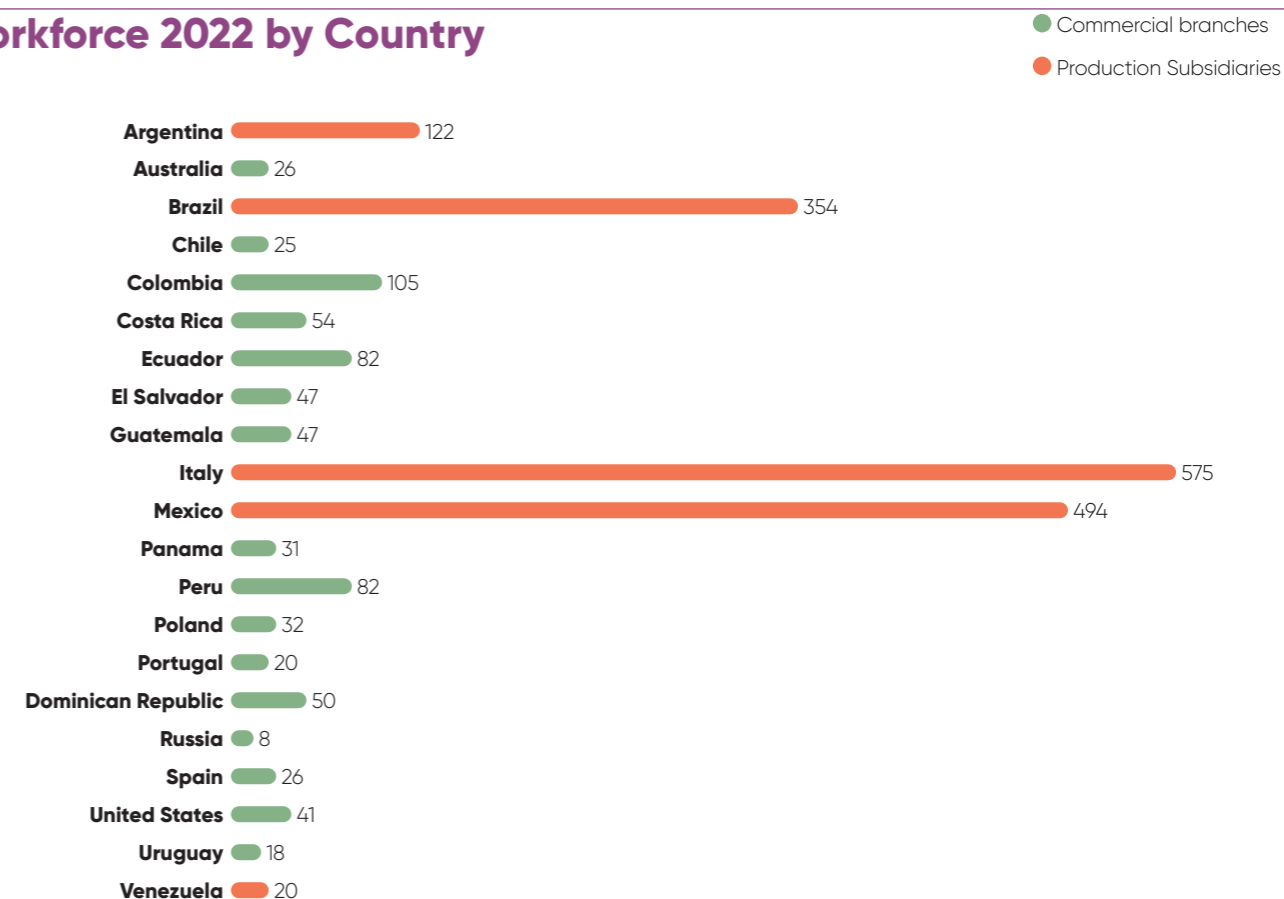
As at 31 December 2022, Alfa Parf Group had 2,259 employees, an 8% increase compared to 2021¹¹. 97% of the employees have a permanent employment contract.

Almost all staff have full-time contracts: part-time employees account for just over 1% of the total and are predominantly women, who are more involved in family management and care. All of the Group's employees are employed under a regular employment contract, in full compliance with the regulations in force in the various countries, and 61% are covered by national collective bargaining agreements¹².

¹¹ The increase in the workforce in 2022 is also influenced by the expansion of the reporting scope following the acquisition of Tricobiotos s.p.a. and Iv San Bernard s.r.l.

¹² National collective bargaining agreements do not exist in all countries where the Group's subsidiaries are located.

Workforce 2022 by Country



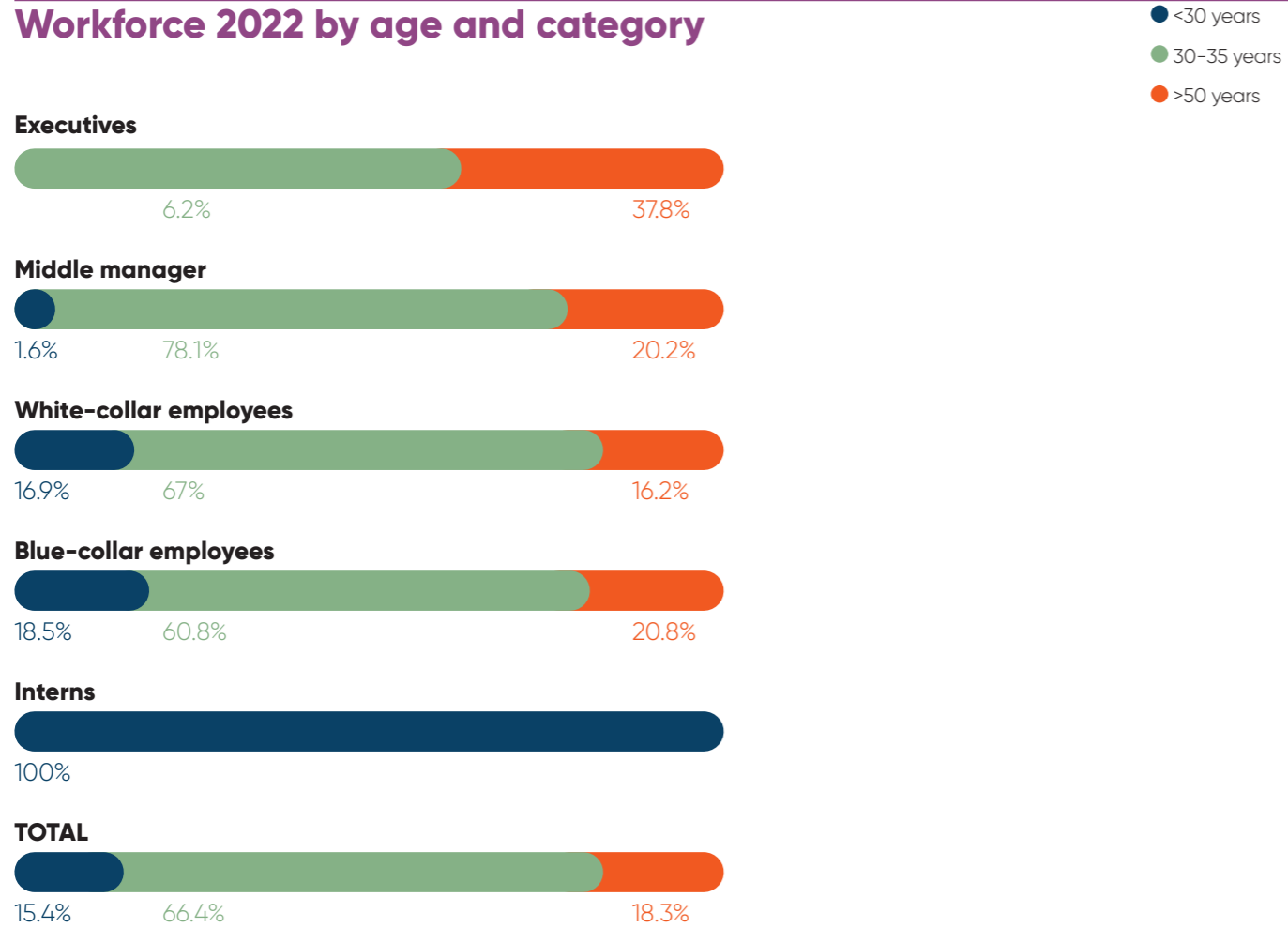
69% of Group staff are employed in the production subsidiaries located in Italy, Argentina, Brazil, Mexico and Venezuela; the remaining 31% are employed in the sales subsidiaries located in Australia, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Panama, Peru, Poland, Portugal, Dominican Republic, Russia, El Salvador, Spain, Uruguay and the United States.

Employees 2022 by age and category

	<30 years	30-50 years	>50 years	Total
Executives	0	28	17	45
Middle Managers	4	193	50	247
White-collar employees	228	906	219	1,353
Blue-collar employees	113	372	127	612
Interns	2	0	0	2
TOTAL	347	1,499	413	2,259
PERCENTAGE	15.4%	66.4%	18.3%	100%

Considering the composition of the workforce by category, in 2022 about 60% of the workforce falls into the white-collar category, followed by the blue-collar category, which accounts for about 27% of the Group's employees. Middle managers are about 11% of the total workforce and executives 2%. Lastly there is the category of interns, which is included in the workforce with a view to training and preparing for possible future needs, and which represents 0.09% of the Group's staff.

Workforce 2022 by age and category



More than 66% of the workforce is between 30 and 50 years old; this percentage rises to more than 78% when considering middle managers alone. Slightly more than 15% of the workforce is under 30 years of age, a percentage that falls to zero for the executive category. The remaining 18% are over 50 years of age, a percentage that rises to 23% when considering the categories of middle managers and executives together.

Recruitments and terminations 2022 by age

	Women			Total Women	Men			Total Men	Total
	<30 years	30-50 years	>50 years		<30 years	30-50 years	>50 years		
Number of Employees	178	817	194	1,189	169	682	219	1,070	2,259
Number recruited	92	191	12	295	89	162	23	274	569
Number terminations	78	176	34	288	88	112	31	231	519
Recruitment rate	52%	23%	6%	25%	53%	24%	11%	26%	25%
Termination rate	44%	22%	18%	24%	52%	16%	14%	22%	23%

Recruitments and terminations 2022 by gender



569 new people were hired in 2022, 32% of whom are under 30 years of age, proving that Alfa Parf Group is a young and dynamic Group. In Italy, apprenticeships continue to be the main type of contract used to hire young people: the company assigns a tutor for each new employee, who has the task of following and training the apprentice for the entire duration of the contract.

As regards terminations, 519 people left the Group in 2022, 32% of whom were under 30 years of age.

DIVERSITY AND EQUAL OPPORTUNITIES

Alfa Parf Group is committed to defending the right of every human being to live and work in an environment that allows them to fully and legitimately express their individuality and realise their potential without any discrimination, with the aim of building a better society for the whole community.

Alfa Parf Group considers each individual unique; uniqueness is enriching, as it allows to experiment with different perspectives, ideas, solutions. For this reason, the Group is committed to valuing uniqueness, defending equal opportunities and promoting inclusion inside and outside the company.

Alfa Parf Group intends to attract and develop talent regardless of any element of diversity, and to encourage everyone in the Group to express their full potential. Alfa Parf Group has always been committed to building a working environment where everyone is supported and empowered to actively participate in the creation of value, and where personal characteristics, ideas and orientations cannot give rise to discrimination, and equal opportunities are guaranteed in all aspects of professional life.

Any employee who believes they have been the victim of situations that are not in line with the corporate culture has the right to report it to the appropriate Supervisory Body, which will verify the merits of the report and take appropriate action, if necessary.

The Group’s workforce is equally distributed between genders, with women accounting for around 53%. In 2022, 52% of new recruits were women.

Employees 2022 by gender and category

	Women	Men	Total
Executives	5	40	45
Middle managers	108	139	247
White-collar employees	791	562	1,353
Blue-collar employees	284	328	612
Interns	1	1	2
TOTAL	1,189	1,070	2,259
PERCENTAGE	53%	47%	100%

Workforce 2022 by gender and category



Generally speaking, there is an equal distribution in terms of diversity (men-women) for all occupations (women account for 44% of middle managers, 58% of white-collar employees, 46% of blue-collar employees and 50% of interns), with the exception of the executives category, in which 11% of women hold a position.

The Group has also always been committed to creating benefits for the local communities in which it operates, including the development of local talent. Testifying to this commitment, more than half of Alfa Parf Group’s Top Management (executives and middle managers) come from the local community¹³.

Also in the context of valuing diversity, in 2022 Alfa Parf Group developed the Dyslexia Friendly project in Italy that had already been launched in 2021, with the aim of promoting the job placement and professional growth of people with specific learning disorders within the company organisation. The project involved the Human Resources department in training and awareness-raising activities, testing good practices in staff selection and management processes, involving both people with learning disabilities already present in the company and young dyslexic candidates. At the end of the course, Alfa Parf Group directly employed a resource identified during the project.

The Mexican subsidiary also participated in the “diversity and equal opportunities” project, collaborating with an association that supports and educates young people with intellectual disabilities. In detail, the project envisaged the creation of a pathway for the selection and subsequent entry of these resources into the Mexican staff. Three young people were placed in the Mexican subsidiary in 2022, respectively employed in the HR, Marketing and IT departments.



¹³ Local community is intended as the region or district where the subsidiary is located.

STAFF WELFARE

Alfa Parf Group believes that employees are fundamental resources of any successful company and that taking care of their well-being is not only a duty imposed by law but an opportunity for improvement and growth for both the company and its employees.

This is why the Group takes care to guarantee its employees remuneration in line with the market and a series of benefits aimed at satisfying their needs and increasing their purchasing power.

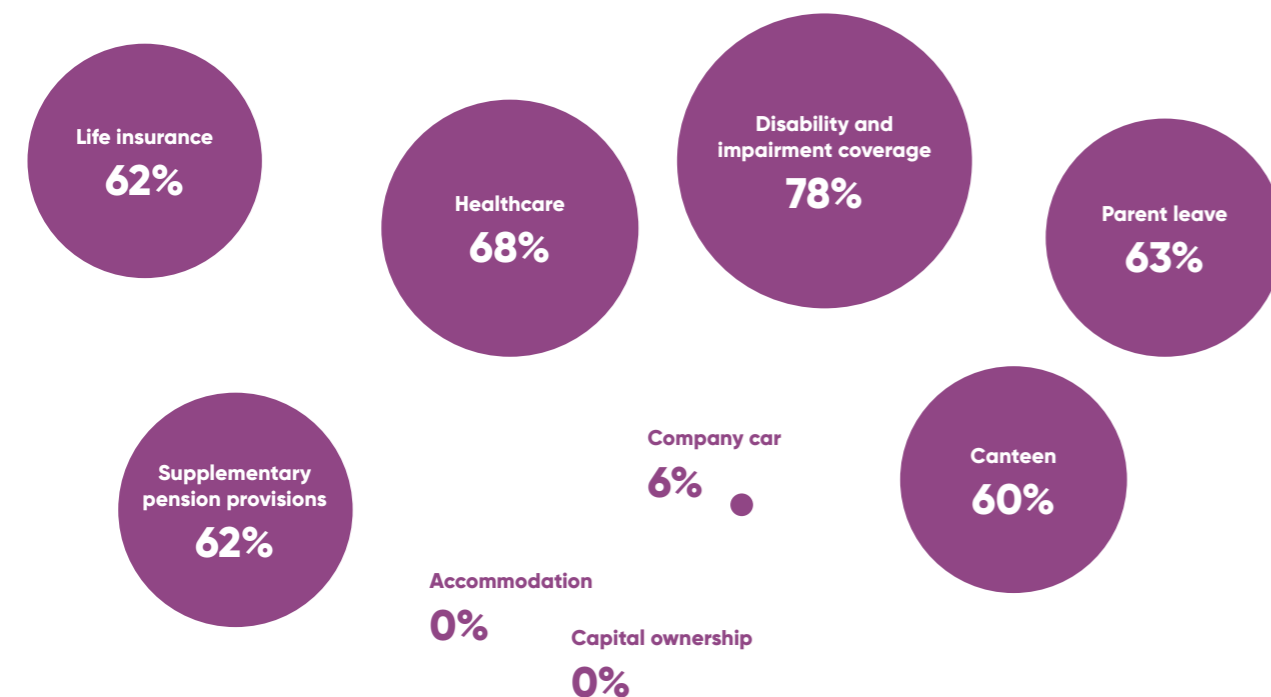
In particular, all employees are granted the benefits laid down by the relevant national bargaining agreement, by the various supplementary contracts applied - if any - or defined in individual contracts, including life insurance, supplementary healthcare, supplementary pension funds, disability and invalidity coverage, company cars and accommodation.

In most of its locations and for positions/functions where it is possible, the Group provides a series of benefits aimed at fostering work-life balance, including flexible start times, canteen service and measures to support parenthood, including parental leave and part-time, granted to most new mothers.

The benefits to which Group employees were most entitled in 2022 were invalidity and disability coverage and healthcare.

The Group also has an MBO incentive system in place, designed primarily for executives and middle managers, which includes the assignment of common objectives (normally rep-

Benefits for full-time employees 2022



resented by the turnover and Ebitda of the scope of responsibility) and individual objectives, both quantitative and qualitative, more directly linked to the specific function and purpose of the position.

The Italian subsidiary Beauty & Business S.p.A. implemented a number of initiatives that contributed to a more positive corporate climate in 2022.

In particular, for the entire emergency period of the year (01/01-30/09) a group policy was activated for all employees who applied in the event of hospitalisation due to Covid-19 infection. The total cost of the policy was Euro 4,917.

Furthermore, with the discontinuation of remote working mode with simplified rules, all white-collar employees have been allowed to continue working remotely one day per week since September.

The company gave all employees a special shopping bag to celebrate Women's Day on 8 March.

Lastly, petrol vouchers for a total value of Euro 94,325 were distributed to all employees in December 2022, with the aim of supporting them in mitigating the impact of rising energy prices.

The company Tricobiotos s.p.a. has set up a company welfare plan for all employees, which can be used on the basis of bonuses following the achievement of specific objectives, both corporate and for individual categories.

A coaching programme was also initiated for the packaging, production, warehouse, laboratory and maintenance managers which included individual meetings to provide colleagues with the necessary preparation for the evaluation and management of crisis situations that may occur in everyday working life, as well as elements for developing appropriate business planning strategies to facilitate the achievement of all objectives.

The Argentine subsidiary has launched an employer branding programme with the aim of strengthening the attachment that employees have to the company, stimulating a sense of belonging and collective identity and promoting employee retention. Similarly, the company showed its interest in the well-being of all employees by promoting specific communication and discussion activities on the importance of the health of all employees. Among these initiatives, of particular importance was a conference dedicated to raising awareness on the prevention of breast cancer, organised in October 2022 with the collaboration of a local NGO. The Colombian subsidiary also implemented actions aimed at improving well-being in the workplace in 2022, with the conviction that a healthy and stimulating workplace also improves employee productivity and the cooperation of all, which is necessary for the achievement of corporate and individual goals.

SELECTING AND ATTRACTING TALENT

Selection processes play a strategic role for the Group, as they make it possible to identify candidates with specific skills, professionalism and technical competence, corresponding to the profiles actually required by the Group's needs and who also share the ethical principles and values that inspire Alfa Parf Group.

With this in mind, selection is carried out in full respect of equal opportunities and without any discrimination, avoiding favoritism, patronage and facilitations of any kind, inspiring each choice exclusively by criteria of professionalism and expertise.

As part of the selection and attraction of talent, in 2017 the Italian subsidiary Beauty & Business S.p.A. began a collaboration with the Higher Technical Institute for New Life Technologies in Bergamo, a post-diploma, high technical specialisation school that prepares professional technicians in the chemical, cosmetic chemical, biotechnological, pharmaceutical, nutraceutical, environmental, health and polymers/elastomers fields. The subsidiary organised and conducted theoretical lectures in the field of cosmetic formulations and practical workshops on the use of raw materials and equipment.

Thanks to this initiative, in 2022 Beauty & Business S.p.A. set up two extra-curricular traineeships with students from the institute.

With the collaboration of the municipality and school of Escobar, in 2022 the Argentine subsidiary organised a series of guided tours of its plant in which final year students participated. This initiative gave today's students – tomorrow's future professionals – an insight into how a plant is organised and how activities are carried out inside it.

A number of lectures were also organised at local public high schools, during which students were given insights and information on the subject of job hunting, writing a CV and preparing for a successful job interview.

Lastly, an agreement was signed with Escobar's employment office to provide the subsidiary with the names of candidates meeting the technical requirements sought for the new positions.



TRAINING AND SKILLS DEVELOPMENT

The Group strongly believes that the quality of its products and services is inseparable from the quality, preparation and growth of its resources. For this reason, Alfa Parf Group offers its employees multiple training and professional development paths.

Training is considered an important and essential investment because it combines the company's growth needs with the professional development of its people: the Human Resources Department defines the guidelines and tools for identifying training needs, and subsequent training interventions, by drawing up an annual training plan. This plan includes:

- Management training, relating to the development of management skills and techniques, organisational behavior and leadership.
- Regulatory and governance training, relating to legislative insights and corporate provisions.
- Training of a technical-operational and professional nature, aimed at acquiring skills related to the organisational task.
- Health and safety training, consistent with technical-operational activities and specific regulatory obligations.
- Other courses (foreign languages, marketing, communication, IT, etc.).

Besides being provided directly by the Group, staff training is also financed through membership in interprofessional funds. 70% of training hours in 2022 were delivered in-person thanks to the normalisation of the emergency situation caused by the Covid-19 pandemic, which had required remote training in previous years. In 2022, Alfa Parf Group provided a total 14,805 hours of training, of which 8,389 related to compulsory training courses, i.e., required by the regulations in force in the various countries of presence, and 6,416 hours of non-compulsory training.

Training courses were implemented as they benefited all employees at the subsidiary in Colombia. The training courses were broken down by department and customised according to specific tasks. With this programme, 45 employees of the different administrative areas, representing 43% of the total staff, obtained the final certification.

HEALTH AND SAFETY

Protecting workplace health and safety is an issue of strategic importance for both employees and non-employees. Improving behavior and enhancing corporate culture to prevent accidents and damage to health is a commitment that Alfa Parf Group pursues with determination and continuity, in order to offer workplaces with the highest standards in the field. Beauty&Business and the overseas production plants have a dedicated HSE Office, which includes a Prevention and Protection Service consisting of the Prevention and Protection Service Manager and the Prevention and Protection Service Officer. The main tasks performed by this office concern the identification, measurement and evaluation of risk factors to which employees - and external workers - are, or potentially may be, subject, the identification of the best strategies and tools to prevent and mitigate such risks, including the organisation of information and training programmes for workers, and the development and/or updating of health, safety and environmental procedures.

The main health and safety procedures adopted are of two types:

- Management and organisational procedures.
- Operating procedures and instructions.

Although not certified, the Occupational Health and Safety Management System adopted by the Parent Company and implemented, with the necessary modifications, by the other production companies, guarantees the improvement of workers' health and safety levels, the reduction of costs deriving from accidents, injuries and work-related illnesses, and the gradual reduction of occupational risks with actions in the field.

Each Group company has a risk assessment document (RAD), which is regularly updated when changes occur in the production process and/or work organisation. The RAD defines and lists a number of risks related to workers' health and safety and correlates them with each work task in the attached "Task Sheets". The Company Doctor supports risk assessment activities by defining health protocols for the profile of risks associated with particular tasks and monitoring any damage to workers' health; in addition, when issuing the a judgement of suitability, the Company Doctor applies restrictions and requirements to prevent any occupational diseases, where necessary.

There were 19 accidents among employees in 2022 (one more than in 2021), none fatal. Of these, seven were caused by falling and slipping, six by accidents while commuting and three by impacts; while among non-employees there was only one accident (0 in 2021), due to falling and slipping. As far as occupational diseases are concerned, in 2022 there were no cases among employees, while there was only one case among non-employees, of a physical nature.

Injuries and occupational diseases

	31.12.2022	31.12.2021
Number of fatalities as a result of work-related injuries	-	0
Number of work-related injuries with serious consequences (excluding fatalities)	6	6
Number of recordable work-related injuries	13	12
Hours worked	3,727,927	3,581,785
Rate of fatalities resulting from work-related injuries¹⁴	-	-
Rate of work-related injuries with serious consequences (excluding fatalities)¹⁵	1.61	1.68
Recordable work-related injury rate¹⁶	3.49	3.35
Total number of fatalities caused by occupational diseases	-	-
Total number of recordable cases of occupational disease (excluding fatalities)	1	1

FOCUS ON

COLOMBIA – SAFETY WEEK

The subsidiary in Colombia recognises the importance of its employees and is committed to the continuous improvement of their health by means of an occupational health and safety management system aimed at guaranteeing the maintenance of physical, psychological and social well-being, as well as providing safe and adequate workplaces through the identification of hazards, the assessment of risks and the determination of controls.

Health Week was organised at the Group's Colombian subsidiary, during which various activities were held to promote the physical and mental health of employees. In particular, various events were organised on a variety of topics including breast, cervical and prostate cancer prevention, medical examinations, relaxation practices in the office, reflexology and psychological first aid. Lastly, a programme was implemented for overweight workers, aimed at promoting good eating habits and physical activity, fundamental elements of the daily routine and for a healthy quality of life.

This initiative was appreciated by all staff, and will be repeated in 2023 with new themes and initiatives.

¹⁴ The rate of fatalities due to work-related injuries was calculated as follows: number of fatalities per total hours worked per 1,000,000.

¹⁵ The rate of severe work-related injuries was calculated as follows: number of severe injuries per total hours worked per 1,000,000.

¹⁶ The rate of recordable work-related injuries was calculated as follows: number of work-related injuries per total hours worked per 1,000.

HEALTH AND SAFETY TRAINING

Alfa Parf Group assigns a central role to employee training, nurturing a safety culture in an effort to minimise work-related risks. In particular, the training courses provided are aimed at developing the knowledge and skills needed to safely manage work activities, depending on the tasks and processes in which the individual employee is involved.

A total of 6,872 hours of training - both generic and specific - were provided on health and safety in 2022, down from the 2021 figure mainly due to the fact that many training hours were dedicated to health and safety management against Covid-19 in 2021. The training courses provided in 2022 involved 1,326 employees and 128 non-employees and covered various topics, including: work-related stress management, use of PPE, high/low risk work safety, good manufacturing practices, First Aid, Safety

Hours of health and safety training provided

	Training hours delivered	31.12.2022 Number of employees trained	Number of external workers trained	31.12.2021 ¹⁷ Training hours delivered	Number of employees trained
General training	6,141.5	1,161	76	8,091	779
Technical-specific training	730.5	165	52	2,668	1,048
TOTAL	6,872	1,326	128	10,759	1,827

An internal communication campaign was launched in 2022 at the Parent Company with the installation of a number of monitors in the company's break rooms, aimed at providing short videos on certain topics of great relevance and impact on workers' health/safety. The campaign is aimed at all internal and external workers to make them aware of good practices to be implemented within the work areas.

FOCUS ON

MEXICO: 2022 NATIONAL DAY FOR CHEMICAL EMERGENCY PREPAREDNESS AND RESPONSE (DINAPREQ)

In order to minimise the damage to the population and the environment caused by chemical emergencies, the Federal Prosecutor for Environmental Protection (PROFEPA) of Mexico has been promoting the "National Day for Chemical Emergency Preparedness and Response" (DINAPREQ) since 2012.

The Mexican production subsidiary participated in 2022 by holding a training day for all plant staff on how to deal with chemical emergencies that could endanger their health and safety, as well as the environment around them. The Mexican subsidiary was recognised by PROFEPA for its participation in this initiative.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Enhance the uniqueness of individuals and promote integration in the workplace	Achievement of Dyslexia Friendly Certification in the Parent Company	December 2022	Achieved
Improve communication of corporate culture and a sense of belonging to the Group for new recruits	Develop an induction procedure, diversified according to the roles and needs of the different subsidiaries	December 2023	Underway
Improve the effectiveness of training	Develop a procedure for analysing training needs and verifying the effectiveness of training	December 2023	Underway
Improve corporate well-being, sense of belonging to the Group, employee empowerment	Achievement of Marca Empleadora Certification in the Argentine subsidiary	December 2027	Underway
Improve the performance review process	Implementation of a structured performance review process for all employees of the Italian subsidiary Beauty & Business S.p.A.	December 2023	Underway
Create an integrated system for managing all aspects of health and safety	Acquire ISO 45001:2018 certification in the Italian plant and subsequently in the plants in Mexico and Brazil	December 2025	Underway

¹⁷ The figure on the number of external workers trained is not available.



NATURAL CAPITAL

Sustainability Plan

Mitigating climate change



MANAGING ENVIRONMENTAL IMPACTS

Alfa Parf Group is committed to conducting its business in an environmentally sustainable manner, limiting the negative impacts of its activities, preserving biodiversity, protecting ecosystems and minimising the consumption of resources. To achieve this goal, the Group has taken steps to launch initiatives and projects aimed at preventing, controlling and reducing the environmental impacts of its activities, adopting the best possible practices, establishing proactive collaborations with its suppliers and business partners, and increasing the environmental awareness of its staff and customers.



ENERGY CONSUMPTION

In 2022, Alfa Parf Group consumed a total of 62,027 GJ of energy¹⁸, 36% less than in 2021. More specifically:

- A total of 5,568,289 kWh of electricity, equal to 20,046 GJ of energy, a significant decrease compared to 2021 (approximately -9%), of which slightly more than 85% came from renewable sources and 1% from self-generated energy thanks to the installation of photovoltaic panels at the Italian subsidiary Tricobiotos S.p.A;
- 654,621 Sm³ of natural gas, corresponding to almost 23,500 GJ of energy, about 17% more than in 2021;
- a total of 56,477 litres of LPG for heating (+ 47% compared to 2021), equivalent to 1,370 GJ of energy.

On the other hand, with regard to corporate mobility consisting of company cars for executives and pool cars for staff on duty, 208,738 litres of diesel, 286,552 litres of petrol, 11,179 litres of LPG and 39 kg of methane were consumed in 2022, amounting to a total of about 17,100 GJ of energy (- 68% compared to 2021). In addition, 147 kg of refrigerant gases (R410A and R22) were consumed in 2022, a marked increase over 2021, due to the full resumption of operations.

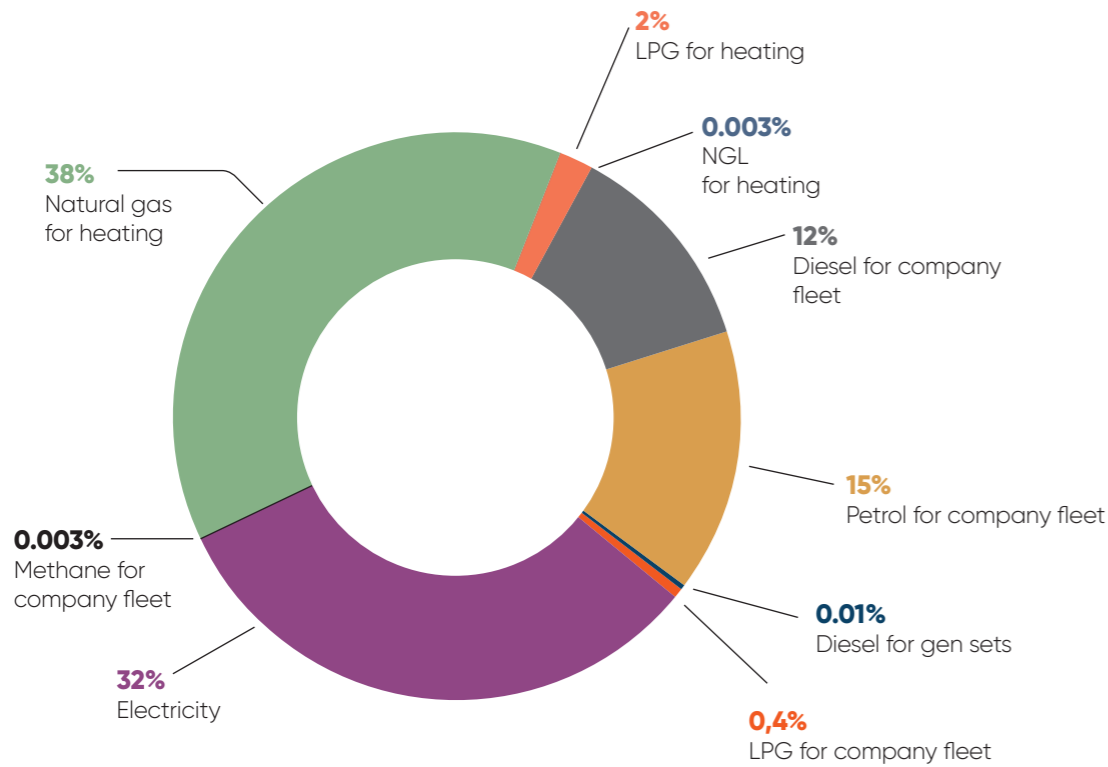
Energy consumption

	31.12.2022		31.12.2021	
	Consumption	GJ	Consumption	GJ
Hydrocarbons				
Natural gas for heating	654,621 Sm ³	23,491 GJ	558,631 Sm ³	20,021 GJ
Diesel for gen sets	130 lt	5 GJ	18,200 lt	662 GJ
LPG for heating	56,477 lt	1,374 GJ	38,275 lt	932 GJ
NGL for heating	90 lt	2 GJ	-	-
Fuel for corporate fleet				
of which Diesel	208,738 lt	7,528 GJ	223,447 lt	8,074 GJ
of which Petrol	286,552 lt	9,307 GJ	1,389,538 lt	45,291 GJ
of which LPG	11,179 lt	272 GJ	14,192 lt	289 GJ
of which Methane	39 kg	2 GJ	-	-
TOTAL HYDROCARBONS		41,981 GJ		75,269 GJ
Electricity purchased and consumed				
Electricity from non-renewable sources	778,183 kWh	2,801 GJ	1,907,542 kWh	6,867 GJ
Electricity from renewable sources	4,790,115 kWh	17,244 GJ	4,181,070 kWh	15,052 GJ
TOTAL ELECTRICITY		20,046 GJ		21,919 GJ
TOTAL ENERGY CONSUMPTION IN GJ		62,027 GJ		97,188 GJ

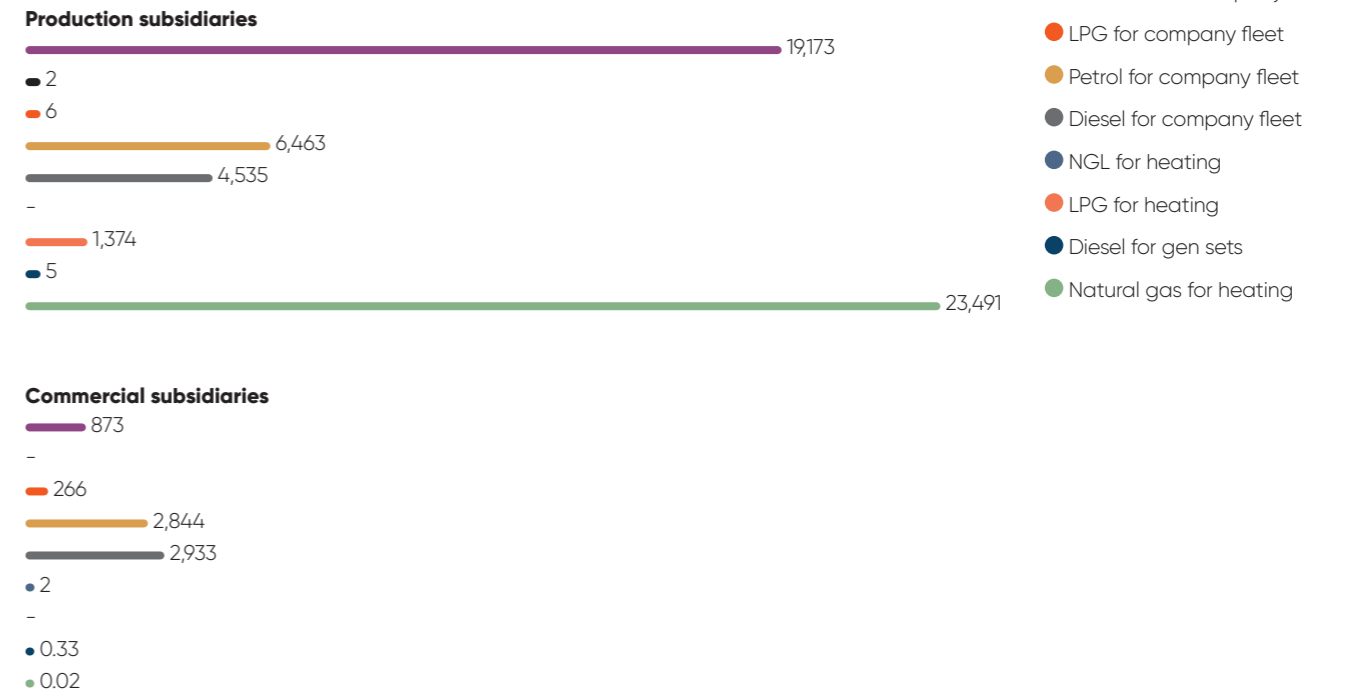
¹⁸ The conversion factors used to transform different energy quantities into GJ are taken from the Defra 2022 database (UK Department for Environment, Food and Rural Affairs).

Considering the energy consumption of the production plants located in Italy, Mexico, Brazil, Argentina and Venezuela, there was a decrease in electricity consumption of about 6% in 2022 compared to 2021 (about -11% if the newly acquired Tricobiotos S.p.A. is not taken into account). Specifically, of the 2,369,628 kWh consumed by the production plants, 98% was electricity from renewable sources, of which 2% was self-generated electricity. With regard to natural gas consumption, in 2022 the production plants consumed a total of 654,621 Sm3, 19% more than in 2021 (+11% if the consumption of Tricobiotos S.p.A. is not taken into account).

Energy Consumption 2022



Energy consumption 2022 in GJ per subsidiary



Energy intensity (kWh/pz)

	31.12.2022 ¹⁹	31.12.2021	Change 2022-2021
Italy	0.04	0.06	-35%
Mexico	0.03	0.02	42%
Brazil	0.04	0.04	-9%
Argentina	0.06	0.06	-4%
Venezuela	0.06	0.06	-3%
Total	0.03	0.04	-12%

As far as the energy intensity linked to production activity is concerned - specifically, the average kWh of electricity consumed per piece produced, including both Alfaparf Milano branded products and products for Private Label customers - at the production plants in Italy, Mexico, Brazil, Argentina and Venezuela, the overall figures show a 12% reduction in energy intensity in 2022 compared to the same figure for 2021 (from 0.04 kWh/pc in 2021 to 0.03 kWh/pc in 2022). Although product volumes increased by more than 10%, the Italian plant recorded the most significant reduction (-35%) thanks to a reduction in energy consumption of around 29% compared to 2021.

¹⁹ The production and consumption data of Tricobiotos S.p.A. were not considered.



ATMOSPHERIC EMISSIONS

Given the nature of Alfa Parf Group’s business and the focus on environmental protection, energy consumption and the consequent production of greenhouse gases (GHG) are constantly monitored, with particular reference to the production plants, which are responsible for 84% of the Group’s total emissions (Scope 1 and 2 Market based).

Against an energy consumption of 62,027 GJ, divided into the various sources as reported in the previous paragraph, Alfa Parf Group emitted a total of 3,193 tonnes of CO₂e (Scope 1 + Scope 2 Market based) into the atmosphere, broken down as follows:

CO₂e emissions

	31.12.2022	31.12.2021
Natural gas for heating	1,320	1,129
Diesel for gen sets	-	50
LPG for heating	88	60
NGL for heating	-	-
Diesel for corporate fleet	563	605
Petrol for corporate fleet	670	3,251
LPG for corporate fleet	17	16
Methane for corporate fleet	-	-
Refrigerant gases (HFCs)	294	96
TOTAL DIRECT GHG EMISSIONS (SCOPE 1)	2,953	5,207
TOTAL INDIRECT EMISSIONS (SCOPE 2) MARKET BASED²⁰	240	917
TOTAL INDIRECT EMISSIONS (SCOPE 2) LOCATION BASED²¹	238	914
TOTAL EMISSIONS SCOPE 1 + SCOPE 2 – MARKET BASED	3,193	6,124
TOTAL EMISSIONS SCOPE 1 + SCOPE 2 – LOCATION BASED	3,191	6,121

There was a reduction of almost 48% in CO₂e emissions in 2022 (Scope 1 + Scope 2 Market based) thanks to the increasing use of renewable energy sources by the Group’s subsidiaries. In particular, four production plants use 100% renewable electricity, two use more than 80%, and only the Argentine subsidiary does not currently source electricity from renewable sources; in addition, seven sales subsidiaries also use renewable electricity. This choice has avoided atmospheric emissions equal to 1,137 tonnes of CO₂e²².

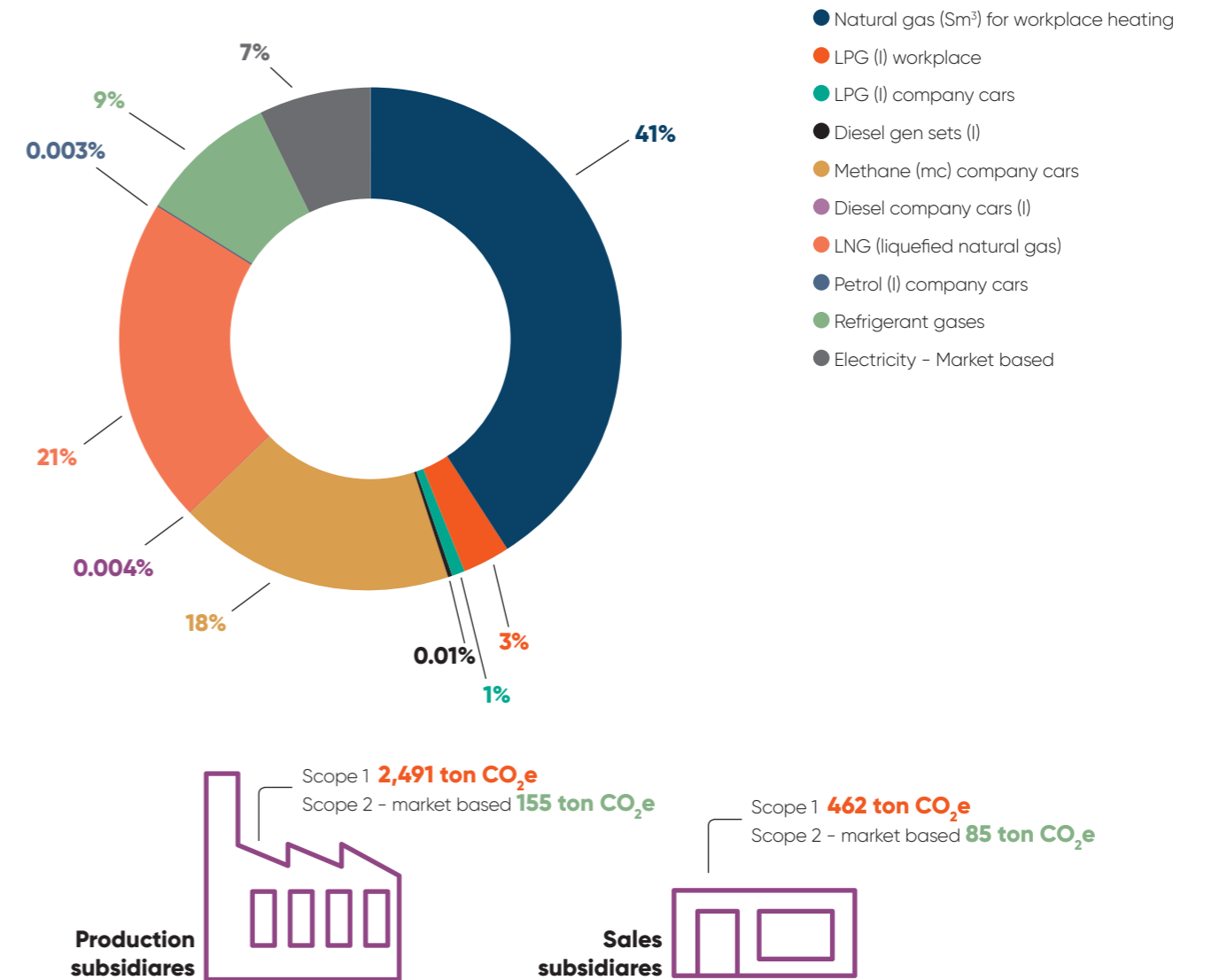
All of the plants’ emission points did not exceed the limits of the respective permits, thanks in part to the monitoring and process control activities that resulted in high performance standards.

²⁰ The source of emission factors used to calculate indirect Market Based GHG emissions for European countries is the most recently updated European Residual Mixes “AIB” (31.05.2021). For non-European countries for which residual mix factors were not publicly available from accredited sources at the time of drafting the report, the same emission factors applied in the Location Based calculation were used.

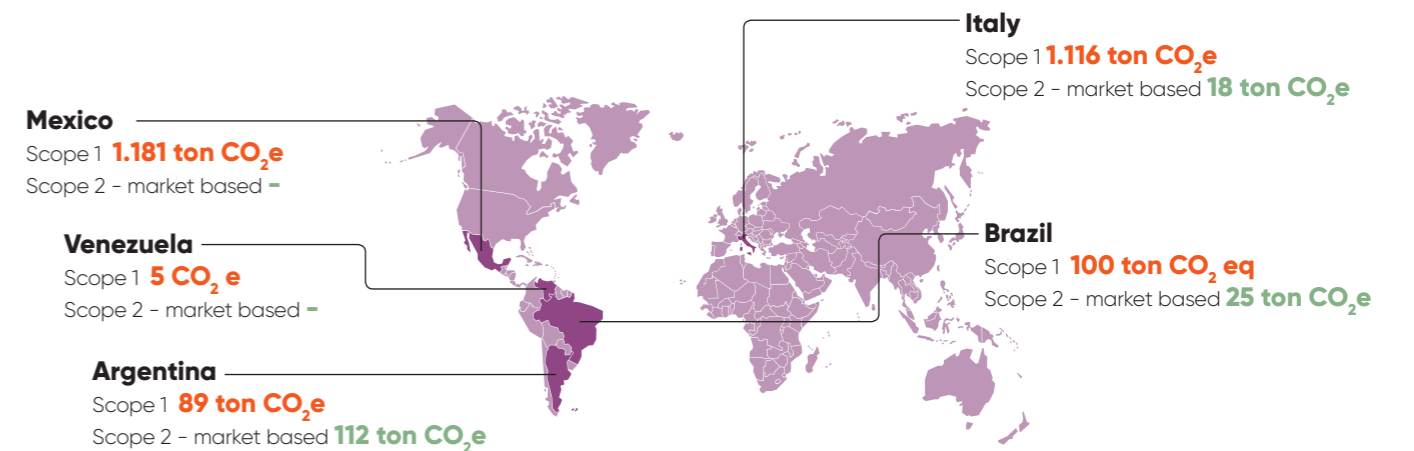
²¹ The source of the emission factors used to calculate indirect Location Based GHG emissions for Italy is Terna International Comparisons 2020, while for the remaining countries in the reporting scope, Terna emission factors were used on Enerdata values, latest available publication (Table International Comparisons, 2020).

²² Considering Scope 2 market-based emissions.

CO₂e emissions 2022 by type of consumption and subsidiary



Emissions from production plants 2022



WATER WITHDRAWALS AND DISCHARGES

A total of 95,802 m³ of fresh water was withdrawn in 2022, about 3% less than in 2021, of which about 96% was withdrawn from the production subsidiaries for both the production process and sanitation. In general, water is withdrawn from the municipal water network, only the Argentinian subsidiary withdraws water from wells located at the plant (5% of the total water withdrawn). Given the Group's business, the responsible use of water resources during the production process is of paramount importance, as the activity of washing the tanks containing dyes has a dual environmental impact resulting from the high consumption of water and the consequent production of industrial waste to be disposed of. In 2022, 60,288 m³ of fresh water was discharged into the sewage system, mainly used for civil-sanitary purposes, and only a small part consists of eluate from reverse osmosis processes which, being within the legal limits, does not fall under hazardous industrial waste. Lastly, with regard to the production of Alfa Parf Group and Private Label products, a total of 35,514 m³ of fresh water was consumed in 2022, almost 24% less than in 2021.

WATER INTENSITY

As far as the water intensity linked to production activity is concerned - specifically, the average litres of water consumed per piece produced, including both Alfaparf Milano branded products and products for Private Label customers - at the production plants in Italy, Mexico, Brazil, Argentina and Venezuela, the overall figures show a 25% reduction in water intensity in 2022 compared to the same figure for 2021. In general, a decrease was recorded in all plants, with a particular impact on the subsidiaries located in Argentina and Venezuela where, despite the increase in productivity, the volumes of water consumed are significantly lower than in 2021.

Water intensity (lt/pc)

	31.12.2022 ²³	31.12.2021	Variazione 2022-2021
Italy	0.13	0.13	-1%
Mexico	0.29	0.31	-8%
Brazil	0.35	0.51	-32%
Argentina	0.06	0.60	-90%
Venezuela	0.10	0.63	-84%
Total	0.23	0.31	-25%

²³ The production and consumption data of Tricobiotos S.p.A. were not considered.

WASTE PRODUCTION AND MANAGEMENT

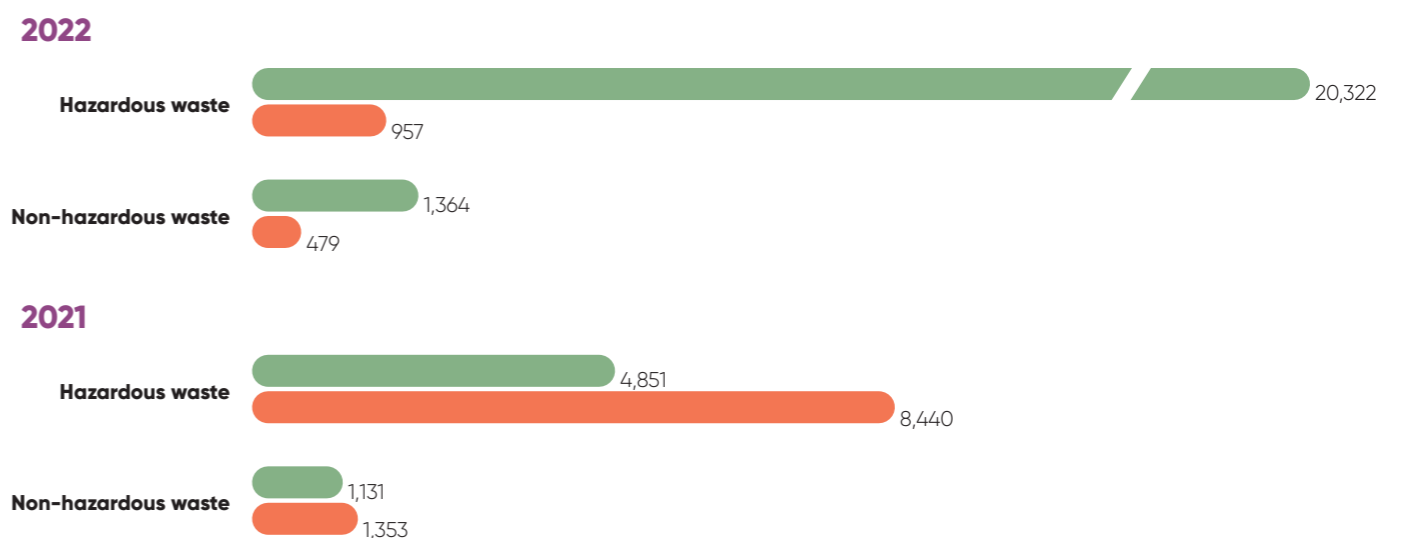
The Group produced a total of 23,122 tonnes of waste, a significant increase over 2021 (+47%) as a result of the implementation of a more structured data collection system by some sales subsidiaries, increased production and the expansion of the scope. Of the total waste produced, 92% is classifiable as hazardous waste (21,279 tonnes), mostly washing waste (about 97% of the total hazardous waste); while the non-hazardous waste, 1,843 tonnes, mostly refers to various packaging (plastic, paper, glass, aluminium, wood or indivisible mixed materials).

As regards disposal methods, 94% of the waste produced by all the Group's subsidiaries was destined for recovery operations, of which 36% for reuse and 58% for recycling; the remaining 6% was destined for disposal operations, mainly incineration.

Waste produced and disposal method (tonnes)

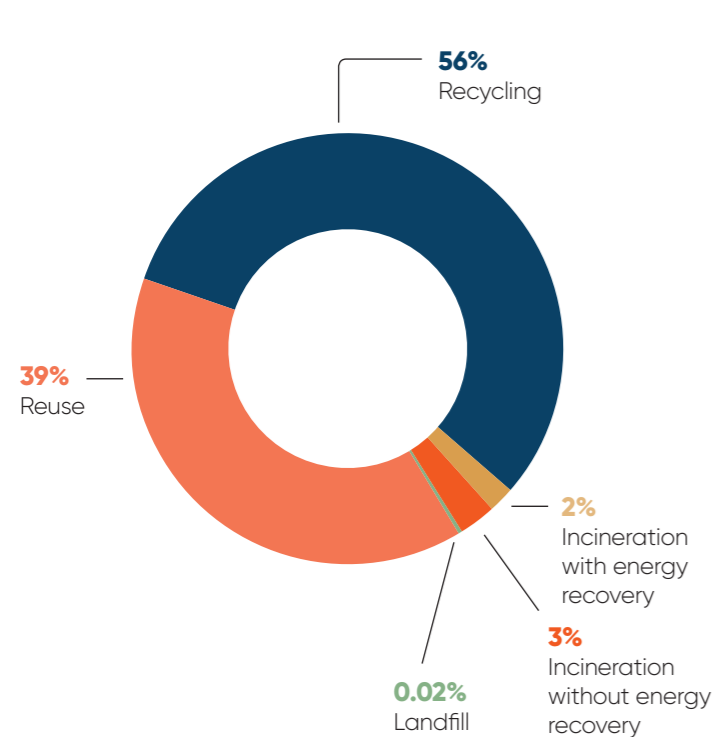
	31.12.2022			31.12.2021		
	Recovered	Disposed of	Total	Recovered	Disposed of	Total
Hazardous waste	20,322	957	21,279	4,851	8,440	13,291
Non-hazardous waste	1,364	479	1,843	1,131	1,353	2,484
TOTAL	21,686	1,436	23,122	5,982	9,793	15,775

Waste generated by type and disposal method (tonnes)

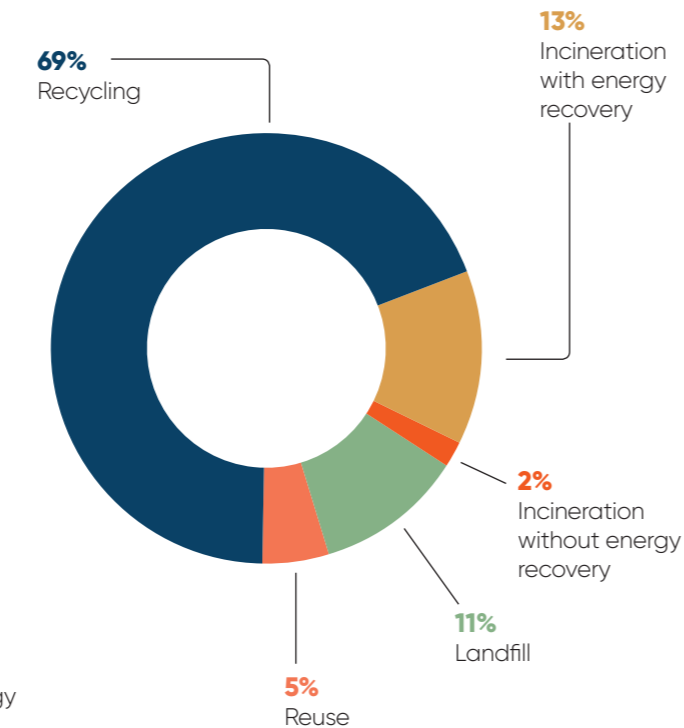


All hazardous waste is delivered to specialised carriers and disposed of outside the organisation’s boundaries. Of these, about 5% are disposed of, while the remainder are subject to reuse or recycling operations. As regards non-hazardous waste, about 26% is delivered to specialised carriers for disposal, 5% is reused and the remaining 69% is subject to recycling operations.

Hazardous waste 2022 by disposal method



Non-hazardous waste 2022 by disposal method



FOCUS ON

COLOMBIA – ENVIRONMENTAL WEEK

The Colombian subsidiary of Alfa Parf Group organised the first edition of Environment Week in 2022, with the aim of educating employees about caring for the environment and preserving the planet. A series of activities and meetings were organised during the week, touching on various topics, including:

- **Water care and energy saving.**
- **Waste recycling.**
- **How to reduce the impact of emissions on the environment.**

In addition, the “I want my tree” initiative was carried out at the end of the week: 45 employees, many of them with their families, participated in a planting day at an area near the plant. Thanks to this team building initiative, 48 trees were planted and donated to the “Verde Vivo” Foundation.

Environment Week was very well received by all those involved (about 100 employees and family members), and will be repeated in 2023.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Promote sustainable mobility	Stations have been installed in the employee car parks of the Italian headquarters for charging both private and company hybrid or electric cars	December 2022	Achieved
Promote sustainable mobility	Gradual replacement of traditionally fuelled vehicles in the company car fleet at Italian sites with hybrid or full electric vehicles	Medium- to long-term	Underway
Improvement of filling processes	On the dyed packaging lines, efforts are being made to improve the filling process in order to reduce the residual intermediate product in the containment bags and thus reduce waste	December 2023	Underway
Create an integrated environmental management system	Acquire ISO 14001:2018 certification in the Italian plant and subsequently in the plants in Mexico and Brazil	December 2026	Underway





SOCIAL AND RELATIONAL CAPITAL

Sustainability Plan

Caring for employees, customers and local communities, promoting inclusion and empowerment



CUSTOMERS

The customer has always been at the center of the Group's attention and customer satisfaction, together with a high level of quality and innovation in products and services: these are the foundations on which Alfa Parf Group bases its growth strategy.

TYPES OF CUSTOMERS AND MARKETS

Alfa Parf Group interfaces with many varied types of customers, depending on their sales channel and geographical location.

To date, the production of Alfaparf Milano brand hair products is mainly destined for the foreign market - although the Italian subsidiary Beauty & Business S.p.A. is growing rapidly in both turnover and distribution - through direct subsidiaries and a network of distributors focused on the Eurasia region. The customer categories are divided into:

- Hairdressing salons, professional chains or professional/mass market hybrid stores.
- End consumers.
- Supermarket chains.
- Off-line distributors, online distributors and beauty supply retail chains
- Importers.

The production of skincare products, together with equipment for professional beauty applications, is instead mainly destined for the Italian market thanks to a network of exclusive agents. The clientele is divided into:

- Beauty centers, spas, day spas and clinics.
- Distributors.
- Pharmacies.

Lastly, the Private Label offer is directed towards a global market: the geographic location of the Group's three production plants - Italy, Mexico and Brazil - allows it to satisfy the demands of multinational companies with global distribution in both the professional and retail channels, as well as companies, local distributors and large-scale organised distribution, which are increasingly looking for innovation in terms of both formulation and eco-sustainable materials. Retail focuses on the development of customers belonging to the beauty channels, which resell mass market and professional products in physical stores or digital shops (e-commerce) to end consumers and/or professionals. This clarification is important to understand that discussing the development of the retail channel means addressing both the development of the dedicated brands (mass market and retail part of the professional brands) and the e-commerce channel.

In its approach to the traditional mass market, Alfa Parf Group has chosen a B2C type of distribution through the dedicated brands Alta Moda (in Latin America) and Il Salone Milano (in Eurasia and the USA), using beauty suppliers, perfumeries, drug stores, large organised distribution and digital channels such as e-shops and marketplace as sales channels. The areas of greatest development are Latin America, Europe, Arabia, with a presence in the USA and China as well.

The current offer in the professional retail channel instead focuses on marketing the professional resale lines (Alfaparf Milano Professional and Yellow Professional) aimed at end consumers and small professionals. The sales target is B2B and B2C and the sales channels are beauty suppliers and beauty e-shops. The areas of greatest development are Latin America, the USA, Eastern Europe and Asia.

CUSTOMER CONTACT

Alfa Parf Group is at the service of its professional customers, with the aim of supporting and accompanying their growth both in terms of turnover and of technical and artistic skills, providing products with high quality standards, customised services, training and consultancy.

As far as the Haircare Business Unit is concerned, the ongoing relationship with customers is managed by a network of salesmen and/or exclusive direct agents and a network of distributors. A sales management structure with Sales Managers and Area Managers completes the organisation of this team. Abroad, the frequency of contact with distributors is almost daily: discussions vary from sales issues (strategies, targeting, promotion) to customer service issues, order management and complaints. In addition, contact with the professional clientele also takes place constantly through education services, by means of technical and product training done directly in the salon, in the academy or remotely. Lastly, Alfa Parf Group makes an increasing amount of training content available on its social channels and platforms, thereby multiplying its customer contact points.

As far as the Skincare Business Unit is concerned, there is constant contact with professional customers in Italy thanks to a network of direct agents, dedicated Beauty Specialists and the Bergamo Pilot Center (Training Academy). Customers are visited every two months to discuss sales and marketing issues. Relations with foreign customers and the foreign distributor network are instead handled by the Export Manager's activity, by means of almost daily remote support. In addition, each distributor is visited on site several times during the year both to provide training services for new lines and for sales support activities (seminars, master classes).

The Private Label Business Unit's approach to customer relationship management follows a specific and determined procedure. Visibility on the market, in addition to the trade fair channel, comes from belonging to the Group: globally recognised know-how and expertise have brought and continue to bring customers seeking an industrial partner with high quality standards, capable of developing and producing internationally compliant formulas and sustaining global manufacturing capabilities. Sector trade fairs are one of the main meeting events: it is in this context that the Group has its first commercial approach with potential customers. Afterwards, meetings are organised with the aim of presenting different types of formulas and products which can be customised according to needs.

In the Retail channel, the meeting between demand and supply is firstly expressed by identifying potential targets through a country and market analysis, and then selecting retailers (physical or online) in the Beauty world which meet the mass or professional positioning requirements of the Group's brands. Direct contact is then made with these prospective



customers, aimed at verifying their intentions, and then proposing the most suitable brands and products for retail sale. Trade fairs also represent another possible meeting point with customers, as does the intermediation of specific distributors who, especially in countries where the Group is not present with its own subsidiary, support Alfa Parf Group in selecting local partners according to the best match between the positioning of the customers' offerings and those of the brands in the portfolio.

TRAINING AND ENGAGEMENT OF PROFESSIONAL CUSTOMERS

The training of professional customers plays a key role in providing fully professional services to the end customer; for this reason, Alfa Parf Group focuses on education activities in both haircare and skincare through the promotion of important initiatives.

OFFICINA DEL COLORE The “Officina del Colore”, or “Color Workshop” project continued in 2022. This ever-expanding initiative unites hairdressers from all over the world who share passions and dreams and who, as members of the programme, have access to high-level training courses, quality products and services designed to raise the salon's image to the highest industry standards. Depending on their business profile and their business and growth objectives, the hairdressers can benefit from exclusive advantages such as favorable business conditions, academies and training courses, exclusive images that identify their membership in Officina del Colore, in-salon marketing operations, technical materials for daily use, visibility and subscriptions in trade magazines.

YELLOW WE LOVE YOU The second “Yellow We Love You” event was held in 2022, as a moment for stylists to share the most popular techniques in salons. The star of this edition was an Italian Yellow Lover, Rosario Vervesca, who covered every detail of the most popular cutting and coloring techniques from an aesthetic and commercial point of view through three different formats - video, step by step and seminar.

GLOBAL AMBASSADOR The “Global Ambassador” Project was launched in 2021 with the aim of creating a team of professional spokespersons for the Alfaparf Milano Professional brand in an online context through the creation of content to push key products, new product or service launches on social platforms, including Instagram, and off-line through shows, visuals and seminars both in their countries of origin and in other countries. The initiative continued in 2022 with the active participation of 12 members.

EVENTS FOR PROFESSIONALS The Group promoted a series of Alfaparf Milano Professional branded events, with the aim of enhancing the brand and creating belonging. The main spokesperson is the Global Creative Director of Alfaparf Milano Professional, Rudy Mostarda, together with other local Ambassadors. The events held in 2022 included Cosmoprof in Bologna, the Alternative Hair Show in London, Punta Cana Dominican Republic, Sao Paulo Brazil and Expo Beauty Show in Mexico.

“TRAINING & BEAUTY” ACADEMY Training & Beauty is the training academy of the Skincare division of Alfa Parf Group, founded in 1994. Leaving behind the pandemic years in which the use of online was unavoidable, the situation became more normal at the beginning of 2022 with the re-establishment of in-person activities. At the Training Center in Bergamo, an operational facility specifically equipped to hold training and refresher courses on the methods, products and technologies of the various skincare brands, more than 2,500 people were trained during the year, including industry professionals, both Italian and foreign (distributors and subsidiaries), and sales managers. Of paramount importance was the resumption of laser courses to ensure that this technology, which is one of the Group's pillars,



is used competently and safely. 12 courses were held in 2022 with 320 participants involved, trained by qualified Beauty Specialists and the Medical Scientific Manager.

The Academy is an organisation that also offers courses in different areas and levels taught by qualified lecturers in the main subject areas: from the managerial area with a focus on management and tax, digital marketing and sales, to the medical-scientific area with a focus on the anatomy and physiology of the face and body, and lastly the technical area for massage and make-up courses. These courses are always intended for the Group's customers and are held in locations throughout Italy.

CUSTOMER SATISFACTION AND COMPLAINT MANAGEMENT

In general, direct contact with customers is handled by the sales network and a network of beauty consultants, who report any queries and/or anomalies that cannot be handled through ordinary training activities to the Parent Company.

In Haircare, the degree of customer satisfaction is measured through timely product supply and market surveys in preparation for the launch of new brands and products or the presentation of more advanced technologies.

In Skincare, a specialised company sends an annual survey to assess the satisfaction index of the products and services offered by Alfa Parf Group. The evaluations of 2022 focused on the area of satisfaction with both products, which were particularly appreciated in terms of quality, and equipment, for which the clarity and usefulness of the user manuals, punctuality of deliveries, reliability of machinery and training were appreciated. Abroad, customer satisfaction is monitored through surveys, which aim to measure the level of customer satisfaction in different areas (product quality and performance, service offered).

The Group has adopted the following procedure for the management and monitoring of complaints:

- **Complaint management of cosmetic products**, regulated by ISO 9001, which allows complaints to be divided according to whether they concern a service or a product.
- **Equipment complaint management**, regulated by ISO 9001 for all devices targeting the aesthetic channel and ISO 13485 for medical devices. **The Complaint Management and After-Sales Reports Procedure has been adopted**, whose purpose is to define

Despite the uncertain economic situation due to inflation and the waning of the pandemic that had accelerated online shopping in past years, and taking into account the different types of market, the e-commerce channel achieved a total result of almost Euro 9.4 million in 2022, an increase of 22% compared to the 2021 result. The excellent result achieved was mainly driven by the Haircare market, which accounts for about 96% of the e-commerce turnover, as well as 5.5% of total hair and mass market sales, mainly thanks to the consolidation of the work done in the e-tailer channel.

Working closely with the marketing and digital departments, in 2022 the e-commerce Department implemented a number of optimisation and content creation activities aimed at enhancing environmental sustainability, in order to communicate not only the high performance of hair and skin products, but also the attention to environmental impact, to end consumers. These activities will continue in 2023, also thanks to the launch of the sustainable haircare brand Benvoleo.

the service delivery methods of after-sales support for equipment sold on the Italian market. Each complaint is handled by the subsidiaries using a special form and is subject to an internal verification procedure in all cases. At the end of this procedure, appropriate corrective measures are taken and the customer concerned is informed.

E-COMMERCE

The main objective of the e-commerce strategy is to ensure the best online representation of the Alfaparf Milano brands, and more specifically of the lines intended for resale, so as to ensure an informative online shopping experience for the end customer which is equivalent to the professional one in the offline world. The medium- to long-term objective involves gradual direct management of the e-commerce channel, in agreement with the most relevant Beauty e-tailer players in the relevant markets.

The various collaborations activated with vertical e-tailers in the Beauty world and through Direct to Consumer on the e-commerce channel were strengthened in 2022. In particular, the main projects in 2022 were:

- **The consolidation of e-commerce partnerships at a worldwide level**, especially with vertical e-tailers in the Beauty world for Haircare and Skincare brands through the sharing of appealing content for the end customer and its enhancement through Online Trade Marketing Plans.
- **The protection of the online intellectual property** of the Alfaparf Milano Professional and Yellow Professional brands on different e-commerce sites at European level.
- **The launch in Italy of the Direct To Consumer website alfaparf-milano.com**, for the online promotion of the Semi di Lino line, communication and sale of Kits created ad hoc, in a multi-channel perspective and with the involvement of salons.



COMMUNITY

Alfa Parf Group supports organisations, associations and institutions both through its own brands and through Corporate and is committed, on the one hand, to promoting equity through the elimination of poverty and the creation of decent living conditions for all, and on the other, to defending the right of all human beings to live in an environment that allows them to fully and legitimately express their individuality, with a view to building a better society for the whole community. Alfa Parf Group intends to pursue this important objective by supporting a series of projects and initiatives aimed at enhancing uniqueness, promoting inclusion, providing concrete help to the most fragile, promoting women's empowerment, enhancing and safeguarding historical, artistic and cultural heritage, promoting scientific dissemination, supporting research in the medical field and health facilities, collaborating with training institutes and promoting the employment of youth and people from the local community.



ENHANCING INDIVIDUAL UNIQUENESS AND PROMOTING INCLUSION

Beauty in All Its Forms

One of the cardinal principles of Alfa Parf Group's corporate culture is enhancing uniqueness and promoting inclusion, in the belief that diversity is an asset and that inclusion fosters the dissemination of knowledge, strengthens a sense of belonging and generates continuous learning. The initiative that best represents Alfa Parf Group's commitment in this field is "Beauty in All Its Forms", entirely conceived, desired and carried out by the people of the Group.

"Beauty in All Its Forms" is a social responsibility project which seeks to provide young people with learning disabilities the opportunity to pursue and complete a training course aimed at obtaining a diploma as Hairstylist Assistant. The goal is to offer these young people the opportunity to develop new professional skills, increase their personal and social autonomy and help them enter the working world. The project is a message of hope that seeks to represent diversity as a value, capable of unveiling unexpected features such as creativity, sensitivity, joy, enthusiasm, professionalism and sweetness.

The initiative was launched in Brazil in 2013 together with the Brazilian NGO Instituto Meta Social, in Italy in 2015 together with multiple associations such as AIPD Bergamo, AGPD Milan and La Bussola Dalmine, and most recently in Portugal in 2021. As a result of this initiative, more than 160 young people worldwide and 47 young people in Italy have obtained a diploma and many of them are currently in a working environment. Alfa Parf Group will repeat the project again in 2023.

Castro Rugby Academy

Alfa Parf Group supports the Castro Rugby Academy through donations and gifts. This summer camp is open to all youth, including those with motor disabilities, to learn the fundamentals of the game of rugby thanks to specialised programmes tailored to each need.

CONCRETE HELP FOR THE MOST FRAGILE

La forza e il sorriso

Since 2013, Alfa Parf Group has been committed to concretely supporting highly fragile individuals by making a contribution to the association and donating its products to "La forza e il sorriso" [Strength and a Smile], an Italian non-profit organisation that organises beauty workshops for women undergoing cancer treatment at hospitals and voluntary associations throughout Italy. This is the only collective social responsibility project in the national cosmetics sector, sponsored by Cosmetica Italia.

The initiative, which does not interfere with their medical care and does not in any way intend to replace it, seeks to provide information, ideas and practical advice for facing the side effects of therapies. The workshops are aimed at all women who, having undergone cancer treatments, do not want to give up their beauty and want to regain their sense of well-being and self-esteem. Each workshop is led by a competent and sensitive volunteer beauty consultant who reveals useful make-up secrets and teaches each participant how to enhance their appearance in a few targeted gestures. In addition, the beauty workshops are accompanied by the presence of a psychotherapist ready to offer psychological support to the women in treatment.

The initiative is totally free of charge for both the participants and the host facilities. Women are given a beauty bag full of cosmetic products to put the advice of the beauty consultants into practice, not only during the guided meeting, but also at home, where they can continue to take care of themselves on their own. All this is possible thanks to the support of some 29 participating cosmetics companies, 4,000 beauty workshops and 500 volunteers (beauty consultants and hospital staff).

PMG Italia S.p.A. - Guaranteed Mobility

PMG Italia S.p.A. is an Italian Benefit Corporation founded with the ambition of directing the resources and needs of the public and private sectors towards a single objective: to guarantee better mobility to the most fragile members of the community, the disadvantaged, the disabled and the elderly, enabling them to get around, and therefore actively participate in the life of society. The PMG proposal for Guaranteed Mobility consists of a sustainable solidarity project which, by working together with public and private actors, aims to improve the living conditions of those less fortunate than ourselves. Alfa Parf Group has been supporting PMG Italia S.p.A. since 2019 through the sponsorship of a vehicle for the Municipality of Osio Sotto, needed to transport disabled and elderly people to local hospitals. A donation was instead made in 2022.

Dynamo Camp

Alfa Parf Group also financially supports Dynamo Camp, a charity that works with children suffering from serious or chronic illnesses, giving them and their families the opportunity to spend a period of holiday and fun at the Dynamo Camp Recreational Therapy Campus, where they can take part in a series of activities aimed at boosting their confidence in themselves and their abilities.

FOCUS ON

ARGENTINA – “UN NATALE DIVERSO”

The Group's Argentine subsidiary participated in the initiative “Un Natale Diverso” [A Different Christmas], an internal campaign designed to help all those in the community who, for various reasons, spend Christmas away from home. The goal of this programme is to collect toys and gifts and then distribute them to the various hospitals where the children are forced to spend the festive period. Many employees participated by leaving gifts on the Christmas tree set up in the reception area of the subsidiary. On 24 December, two employees personally brought the presents to the hospital to distribute them. Given the success of this programme and the satisfaction of the children involved, the subsidiary is planning to double its efforts for 2023, adding a toy collection to be distributed in hospitals and homes for orphaned children on Children's Day.

PROMOTING WOMEN'S EMPOWERMENT

La Bellezza Oltre

Again in relation to promoting female empowerment, in synergy with Confartigianato Imprese Bergamo, Caritas, Diakonia Onlus Foundation and the ACOF School for Hairdressers in Bergamo, Alfa Parf Group supports the “La Bellezza Oltre” initiative [Beyond Beauty]: a project for women, with women, which supports the “Spazio Irene” of the Diakonia Onlus Foundation, the care service dedicated to caring for women living on the streets or in particular situations of hardship, and aims to provide them with the opportunity to look after their own well-being.

The women of “Spazio Irene”, accompanied by operators and volunteers of the Diakonia Onlus Foundation, are welcomed at the ACOF premises on a monthly basis, which becomes a real beauty salon for the occasion: the students of the hairdressing course, assisted by professionals of the Area Benessere di Confartigianato Imprese Bergamo, have the opportunity to learn how to welcome and accommodate the guests, listen to their needs and perform color and hairstyle treatments using products provided free of charge by Alfa Parf Group.

Donne in Rete contro la violenza (D.i.Re.)

Alfa Parf Group has always promoted the protection of human rights, with a special focus on one of the most terrible violations of these rights: violence against women. In this context, since 2021 Alfa Parf Group has given donations to D.i.Re. - Donne in Rete contro la violenza [Women Online against Violence], the first Italian association of non-institutional anti-violence centers run by women's associations.

Empowerment Initiatives Abroad

The Panama subsidiary of Alfa Parf Group, together with the Panama en Positivo Foundation, launched the “Yellow New Star Program” in 2022, a programme designed by the Yellow Professional brand involving girls imprisoned in the Cecilia Orillac de Chiari Women's Rehabilitation Center. The aim of the programme is to train and develop the potential of these women for their future, giving them a chance when they return to freedom.



ENHANCING AND SAFEGUARDING HISTORICAL, ARTISTIC AND CULTURAL HERITAGE

Carrara Academy Foundation

Alfa Parf Group renewed and strengthened its support for the Accademia Carrara Foundation in Bergamo, of which it is also a co-founding member, by making a contribution again in 2022.

More than anything else, Accademia Carrara is a challenge, and represents the desire to entrust the management of a public heritage of immense value, such as the Bergamo Art Gallery, to a governance with a markedly private vocation. It is the desire to bring conservation and enhancement policies together in a balanced way, to aim for virtuous management consisting of cultural planning, scientific investigation, protection, marketing, communication and museum development, all through shrewd, budget-conscious management.

In 2022, DIBI Milano renewed its collaboration with Accademia Carrara, becoming one of its main partners. More specifically, the collaboration with famous Italian designer and scenographer Sergio Pappalè was confirmed, aimed at creating a collection that pays homage to the culture and Italian character of Accademia Carrara, merging art and beauty. DIBI Milano selected five famous portraits preserved and exhibited at the Academy to feature in the graphics of the Holiday Collection 2022.



Donizetti Ambassadors

Nothing communicates Made in Italy like opera, a universally recognised language. Supporting the Donizetti Theatre in this phase of radical innovation and renovation of the theatre itself means supporting the entire Bergamo community, in which large internationalised companies and a great tourism potential that has not yet emerged coexist. The companies and individuals that join this project become “ambassadors” of the Theatre and of Donizetti around the world, and are invited to participate in special moments and events. In 2022, Alfa Parf Group supported the Foundation with a donation.

SUPPORT FOR MEDICAL SCIENTIFIC RESEARCH AND HEALTHCARE FACILITIES

Umberto Veronesi Foundation

Alfa Parf Group is committed to supporting scientific research in the medical field through its support of the Umberto Veronesi Foundation. In particular, through the BECOS brand, the Group supports the Umberto Veronesi Foundation’s Pink is Good project established in 2013 with two major objectives: to promote prevention, which is essential for detecting the disease in its earliest stages, and to give concrete support to research against breast and other female cancers by funding scholarships and research projects for doctors and scientists involved in the study and treatment of breast cancer in Italian centers of excellence. Becos continued the pink adventure in 2022 as a partner in the “The Pink Ambassadors” Project: a group of women who have overcome cancer and have decided to get back in the game with the goal of running a half marathon.

“Cos’hai in testa?” Initiative

In collaboration with Accademia Carrara, Alfa Parf Group promoted “Cos’hai in testa?” [What’s on your mind?], an initiative that involved some works from the Carrara collection, bringing them into the Group’s sales points. Through the initiative, the public was invited to redesign the hairstyles of the protagonists of the works, and the best interpretations were selected by Sergio Pappalè, Creative Director of the project, to be part of a temporary installation set up in the museum’s inner courtyard during Beauty Weekend. The proceeds from the sale of the selected works were donated to the EOS association “La Casa di Leo”, the facility that accommodates families whose children are hospitalised at Papa Giovanni XXIII Hospital, with the aim of helping them regain the peace of mind and strength they need to cope with the experience of illness.



PROMOTING SCIENTIFIC DISSEMINATION, COLLABORATION WITH TRAINING INSTITUTIONS AND PROMOTING JOB PLACEMENT

Bergamo Scienza

The Group has supported Bergamo Scienza [Bergamo Science] since 2017. The annual science festival offers a series of meetings, conferences, exhibitions and workshops spread throughout the province of Bergamo, with the aim of disseminating science to the general public. The Bergamo Scienza Association has set itself concrete objectives: to create a new culture of popularising science, which can “educate” above all youth with knowledge, to generate a flywheel of interest and the growth of a culture of development based on knowledge, and to guarantee a method of popularisation based on cultural independence and usability within the reach of all. The Group sponsored the 20th edition of Bergamo Scienza in 2022 and made a contribution to Gruppo Chimici Confindustria at the Bergamo Science Festival.

ITS New Life Technologies

The Group is actively engaged in supporting local education for the benefit of local communities, collaborating with and supporting schools and training institutes. An important initiative in this regard is the collaboration that began in 2017 with ITS - Istituto Tecnico Superiore per le Nuove Tecnologie della Vita (Higher Technical Institute for New Life Technologies) in Bergamo, a post-diploma technical school and the only Higher Technical Institute in the chemical field in Italy. Alfa Parf Group supports the Institute by actively participating in educational lectures in the field of cosmetic formulations and organises educational workshops on the subject of raw materials and equipment. The Group also supports ITS in the context of Bergamo Scienze by organising events related to cosmetics.

Training Initiatives and Promoting Job Placement Abroad

The connection with the Escobar community in Argentina was strengthened in 2022 through donations to the Escobar Technical School, providing students with more learning tools. The Group’s Argentine subsidiary also organised, with the collaboration of the municipality and the school in Escobar, several guided tours of the plant for final year students with the aim of familiarising young people and future professionals with what a plant looks like and how people work inside it. The subsidiary also actively participated in conferences in public high schools, explaining to participants how to search for jobs, which sites or tools to use, how to create CVs and conduct interviews.

In addition to the relationship with the schools, great importance was also given to the community. More specifically, technical hair care training sessions were organised for hairdressers in the community, which enabled the positioning of the Alfaparf Milano brand and the creation of business links with all local businesses.

Finally, also in Argentina, an agreement was reached with the employment office of Escobar for the presentation of profiles in line with the searches opened by the subsidiary.

IMPROVEMENT OBJECTIVES

Objective	Action/project	Deadline	Status
Provide sustainability training to Group customers	Development and implementation of a sustainability training programme for all customers	December 2022	Achieved
Enhance uniqueness and promote inclusion	Acquire Dyslexia Friendly Certification issued by the Italian Dyslexia Association at the Italian headquarters (see the Chapters Governance and Human Capital)	December 2022	Achieved
Creation of info-training snippets on sustainability issues related to OLOS product launches	Each new OLOS launch in 2023 will be accompanied by a short video starring company representatives who are at the forefront of OLOS skincare product development. They will address a specific sustainability topic linked to the product/brand. The aim is to consolidate the reputation of the OLOS brand as a sustainable brand and to educate professional and end customers in the field of sustainability through valuable content and concrete advice on daily life, to respect not only one’s own skin but also the planet	December 2023	Underway
Strengthen support to local communities, especially abroad	Continued funding of ongoing projects and identification of new projects to be supported through donations, direct volunteering, empowerment activities and involvement of employees and customers	Medium- to long-term	Underway

METHODOLOGICAL NOTE

REPORTING PRINCIPLES AND STANDARDS

This document represents Alfa Parf Group's fifth Sustainability Report and contains all the information needed to understand the activities carried out by the Group and the impact produced by them, as well as to correctly interpret the results achieved. Like the previous versions, it is annual and describes the Group's economic, social, environmental and governance performance with reference to the financial year 1 January - 31 December 2022. In order to compare data over time and evaluate Alfa Parf Group's business performance, the figures for the previous year are presented for comparative purposes, with the exception of data on human resources for which the calculation and classification methodology has been revised, as more fully described in Chapter 6. Human Capital.

The Sustainability Report was drafted by reporting on a selection of "GRI Sustainability Reporting Standards" published by the Global Reporting Initiative (GRI 2021), as indicated in the GRI Content Index of this document, according to the "With Reference" reporting option. It should be noted that Alfa Parf Group does not fall under the scope of Italian Legislative Decree 254 of 30 December 2016 which, in implementation of Directive 2014/95/EU, includes the obligation for public interest entities exceeding certain quantitative thresholds to prepare a Non-Financial Statement ("NFS"). This Sustainability Report is therefore drawn up on a voluntary basis and does not represent an NFS.

The general principles applied in drafting the Sustainability Report are those established by the GRI Standards: relevance, inclusiveness, sustainability context, completeness, balance between positive and negative aspects, comparability, accuracy, timeliness, reliability, clarity. The selected performance indicators are representative of the specific areas of sustainability and are consistent with the activities and impacts of Alfa Parf Group. These indicators were selected based on a materiality analysis of the indicators, as described in the section "Materiality Analysis" in Chapter 2. Governance.

The drafting process of the Sustainability Report involved the heads of the Group's various corporate departments and the heads of all subsidiaries.

The Sustainability Report is published on the company's institutional website at: www.alfaparf milano.com. For more information in this regard, please contact the Global Sustainability Department at: sustainability@alfaparf milano.it.

SCOPE

The 2022 edition of the Alfa Parf Group Sustainability Report includes all Group companies²⁴, including the two companies acquired during the year - Tricobiotos S.p.A and Iv San Bernard S.r.l. - for the relevant months. Therefore, when reference is made within this document to the Alfa Parf Group or Group, reference is made to the Group companies listed below:

²⁴ Only companies with employees were considered.



APPENDIX

Country	Company	Production subsidiary	Sales subsidiary
Italy	Alfa Parf Group S.p.A.	HOLDING	HOLDING
Argentina	Prodicos S.A.U.	●	●
Australia	Alfhair Ltd		●
Brazil	Delly Kosmetic Ltda	●	
Brazil	Delly Distribuidora de Cosméticos e Prestacao de Servi-cos Ltda		●
Brazil	Distribuidora Brasileira de Cosméticos e Participações		●
Brazil	Distribuidora do Rio Grande do Sul de Cosméticos		●
Brazil	Distribuidora do espirito santo de de cosmeticos		●
Brazil	Distribuidora carioca de cosmeticos		●
Brazil	Distribuidora Mineira de Cosméticos		●
Brazil	Distribuidora Paranaense de Cosméticos		●
Brazil	Distribuidora Santa Catarinense de Cosméticos		●
Brazil	Distribuidora Aparecida de Goiânia de Cosméticos		●
Brazil	DNDC – Distribuidora Nordestina de Cosméticos		●
Chile	Cosmetica Chi.Cosm Ltd		●
Colombia	Sabama Ltda		●
Costa Rica	Costa Rica Cosméticos Cosdist SRL		●
Ecuador	E.Cos S.A.		●
Guatemala	Guatemala Cosmetics S.A. de C.V.		●
Italy	Beauty & Business S.P.A.	●	●
Italy	Dea Project S.r.l. ²⁵	●	
Italy	Tricobiotos S.p.A.	●	●
Italy	Iv Saint Bernard S.r.l.		●
Mexico	Dobos S.A. de C.V.	●	●
Panama	Alfa Parf Panama S.A.		●
Peru	Percosm S.A.C.		●
Poland	Pol.Cosm Sp. Z.O.O.		●
Portugal	Maresana Lda		●
Dominican Republic	Porta Nuova S.R.L.		●
Russia	Alfa Parf Russia		●
Salvador	Clio Cosmetics S.A. de C.V.		●
Spain	Alfa Parf Group Espana S.L.U.		●
Uruguay	Alfa Parf American Division Distribution S.A.		●
USA	B.I.P. Inc.		●
Venezuela	DIS.MAR Cosmetics C.A.		●
Venezuela	Industrias Veprocsm C.A.	●	

The data on suppliers and raw materials (ingredients and packaging) refer to the production subsidiaries located in Argentina, Brazil, Italy, Mexico and Venezuela; the environmental data refer to all the companies included in the reporting scope with the exception of Iv San Bernard S.r.l., for which it was not possible to obtain precise data; the economic data refer to the Group's consolidated scope, which includes all the sales and production subsidiaries with the exception of Venezuela; all other data refer to the reporting scope. In the case of further limitations, these are duly indicated in the text. Lastly, the data and information presented are derived from direct surveys; where it was not possible to find the data, estimates have been made, which are indicated in the text.

²⁵ Production of machinery for aesthetics

GRI CONTENT INDEX

Declaration of use

Alfa Parf Group has reported the information mentioned in this GRI content index for the period 1 January 2022 – 31 December 2022 with reference to the GRI Standards.

Used GRI 1

GRI 1 – Fundamental Principles – Version 2021

Relevant GRI sector standards

n.a.

GRI 2: GENERAL DISCLOSURES – VERSION 2021

GRI DISCLOSURE	LOCATION AND NOTES
The organisation and its reporting practices	
2-1 Organisational Details	Parent Company: Alfa Parf Group S.p.A. Joint-stock company (legal form of the Parent Company) Registered office: Via Cesare Cantù 1, 20123 Milan (MI) Operating office: Via Ciserano snc, 24046 Osio Sotto (BG)
2-2 Entities included in the organisation's sustainability reporting	pp. 125-126
2-3 Reporting period, frequency and contact point	pp. 125-126
2-4 Restatements of information	pp. 125-126
2-5 External assurance	The Group has opted not to subject this Sustainability Report to external assurance, as the Group is not subject to the requirements of Italian Legislative Decree 254/2016 and drafts this document on a voluntary basis. Alfaparf Group will consider the possibility of limited assurance for the document in the foreseeable future.
Activities and workers	
2-6 Activities, value chain and other business relationships	pp. 9; 15; 20-21; 23-25
2-7 Employees	pp. 82-84
2-8 Workers who are not employees	pp. 82-84, 94
Governance	
2-9 Governance structure and composition	p. 19
2-10 Nomination and selection of the highest governance body	p. 19
Strategy, policies and practices	
2-22 Statement on sustainable development strategy	pp. 4-5
2-27 Compliance with laws and regulations	There were no cases of non-compliance with environmental laws and regulations in any of the Group companies in 2022.
2-28 Membership associations	Confindustria Bergamo; Cosmetica Italia; Federchimica; Unione Industriali
Stakeholder Engagement	
2-29 Approach to stakeholder engagement	p. 31
2-30 Collective bargaining agreements	p. 88

GRI 3: MATERIAL TOPICS - VERSION 2021

GRI DISCLOSURE	LOCATION AND NOTES
3-1 Process to determine material topics	pp. 39-40
3-2 List of material topics	pp. 40-42

MATERIAL TOPICS REPORTED IN THE SUSTAINABILITY REPORT

GRI STANDARD	GRI DISCLOSURE	LOCATION AND NOTES
Integrity and transparency in the conduct of business		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 30; 78
GRI 205: Anti-Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	There were no violations of the 231 Model and no incidents of corruption were detected in 2022.
GRI 417 - Marketing and Labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling 417-3 Incidents of non-compliance concerning marketing communications	p. 78
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	The Group pays great attention to the protection of sensitive data of both its collaborators (employees, representative agents, distributors) and of its customers, both professional and non-professional. Privacy management is aligned with the General Data Protection Regulation (GDPR) 2016/679 and is also guaranteed and protected through the adoption of specific internal procedures, including the Code of Ethics. There were no complaints of breach of privacy and/or loss of sensitive data, either of customers or of Group employees in 2022.
Solidity, profitability and resilience		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 46-48
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	pp. 49
Respect for human rights and protection of workers		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 86; 88-89

GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave	pp. 88-89 pp. 82; 86; 89
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No cases of discrimination were recorded in any of the companies of the Alfaparf Milano Group in 2022.
GRI 412: Human Rights Assessment 2016	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 30
Raw materials, ingredients and packaging		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 69-70; 72
GRI 301: Materials 2016	301-1 Materials used by weight or volume 301-2 Recycled input materials used	pp. 70-74
Product quality, safety and reliability		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 78
GRI 416: Employee Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	p. 78
Workers' health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 92
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system 403-5 Worker training on occupational health and safety 403-9 Work-related injuries 403-10 Work-related ill health	pp. 92-94
Energy efficiency		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 99
GRI 302: Energy 2016	302-1 Energy consumption within the organisation 302-3 Energy intensity	pp. 99-101

Combating climate change and managing emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 102
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions	pp. 102-103
Brand reputation		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 60-61
Customer satisfaction		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 113-114
Research, development and product and process innovation		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 58-61
OTHER ASPECTS ADDRESSED IN THE DOCUMENT²⁶		
GRI STANDARD		
Diversity, inclusion, and equal opportunity		
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	p. 87
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	p. 85
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	The Board of Directors consists of two men, both over 50 years of age. The Board of Statutory Auditors of the Parent Company consists of five men, one of whom is between 30 and 50 years old and four of whom are over 50 years old
Training and skills development		
GRI 404: Training and Education 2016	404-1 Average annual hours of training per employee	p. 91
Employee welfare and work-life balance		
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	pp. 88-89
Waste management		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts 306-3 Waste generated 306-4: Waste diverted from disposal 306-5 Waste directed to disposal	pp. 105-106

Water resource management		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource 303-3 Water withdrawal 303-4 Water discharge 303-5 Water consumption	p. 104
Responsible supply chain management		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	pp. 52-53
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	p. 54
GRI 414: Supplier Environmental Assessment 2016	414-1 New suppliers that were screened using environmental criteria	p. 54
Protection of trademarks and patents		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 23-25; 61

²⁶ Although not strictly material from the materiality analysis carried out, certain aspects have nevertheless been reported in order to provide greater disclosure and a broader overview of the Group's impact and its management of key sustainability issues.

CONNECTION TABLE

Sustainability plan	Aspects addressed in the document	GRI specific topics reported	Scope of impacts	
			Internal	External
SUSTAINABLE GOVERNANCE Being transparent and accountable	Integrity and transparency in the conduct of business	205-3 417-2 417-3 418-1	Group	Suppliers Customers Investors Bodies and Institutions
ECONOMIC SUSTAINABILITY Creating long-term value through innovation	Solidity, profitability and resilience	201-1	Group	Suppliers Customers Investors Bodies and Institutions Community
	Product quality, safety and reliability	416-1 416-2	Group	Customers Suppliers Bodies and Institutions
	Research, development and product and process innovation	3-3	Group	Customers Suppliers
	Brand reputation	3-3	Group	Suppliers Customers Investors Bodies and Institutions Community
	Protection of trademarks and patents*	3-3	Group	Customers Investors
	Responsible supply chain management*	204-1 308-1 414-1	Group	Suppliers Customers Investors
	ENVIRONMENTAL SUSTAINABILITY Mitigating climate change	Energy efficiency	302-1 302-3	Group
	Combating climate change and managing emissions	305-1 305-2	Group	Suppliers Customers Bodies and Institutions Community
	Raw materials, ingredients and packaging	301-1 301-2	Group	Suppliers
	Waste management*	306-1 306-3 306-4 306-5	Group	Customers Suppliers Community
	Water resource management*	303-1 303-3 303-4 303-5	Group	Suppliers Community

Sustainability plan	Aspects addressed in the document	GRI specific topics reported	Scope of impacts	
			Internal	External
SOCIAL SUSTAINABILITY Caring for employees, customers and local communities, promoting inclusion and empowerment	Respect for human rights and protection of workers	2-30 401-2 401-3 406-1 412-3	Group	Suppliers Customers Investors Bodies and Institutions
	Workers' health and safety	403-1 403-5 403-9 403-10	Group	Suppliers Investors Bodies and Institutions
	Customer satisfaction	3-3	Group	Customers Suppliers Investors
	Training and skills development*	404-1	Group	Customers
	Diversity, inclusion, and equal opportunity*	202-2 401-1 405-1	Group	Suppliers Customers Investors Bodies and Institutions Community
Employee welfare and work-life balance*	401-2	Group	Community Bodies and Institutions	



ALFAPARF
MILANO

alfaparfmilano.com