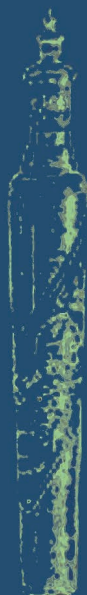


*2018
Sustainability
Report*

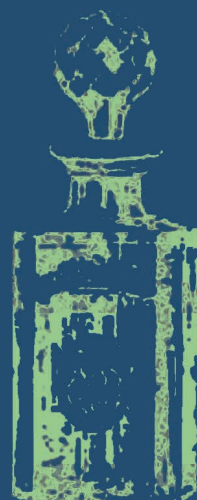
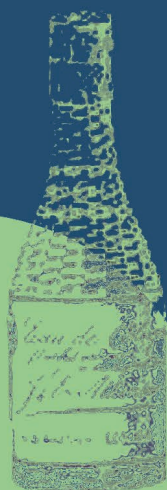
This Sustainability Report refers to Morris Profumi Group. The Group is also commercially known as Perfume Holding and for this reason the names "Perfume Holding" and "the Group" are used interchangeably in this Report, both referring to Morris Profumi Group. The Group logo has not changed.

The reference "Morris Profumi S.p.A." solely refers to the parent company.

*2018
Sustainability
Report*



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The commitment to operate according to the principles of sustainable development continues to be a priority for our group and with this third **Sustainability Report** we want to share the efforts and the results achieved by the company as concerns environmental and social aspects and in terms of transparency in our governance.

For three years we have been firmly adhering to the **United Nations Global Compact** initiative and we are committed to respecting human rights, fighting against corruption and preserving the natural ecosystem; our engagement is demonstrated by **our approach to environmental management, certified according to UNI EN ISO 14001, by our code of ethics, our company management model 231 and our environmental, safety and social responsibility policy** published online and shared with all workers.

This Sustainability Report also proves our efforts and contribution to some of the goals that the UN identified and included in its action plan "**2030 Agenda for Sustainable Development**". We confirm our commitment to promote **sustained, inclusive and sustainable economic growth,**

full and productive employment and decent work for all (SDG 8); achieve **gender equality and empower all women and girls** (SDG 5); and reduce **inequality** (SDG 10). We are committed to ensuring **sustainable consumption and production patterns** (SDG 12); and to taking **urgent actions to combatting climate change and its impacts** (SDG 13).

In the **Sustainability Report** you will find our commitments, our results and above all the values that guide us in facing future challenges with courage. This report represents our contribution to the development of a new rich and sustainable economy.

Giovanni Borri
Chairman

1.1 2018 Company Highlights

7

11 brands

360° integrated approach to sustainable business

€ 63.8 million 2018 revenues

Distribution in **83** countries

55k pieces/day production capacity

167 employees

76% women

more than **35** training courses delivered on HSE, quality and privacy

75% of the workforce based in Parma, Italy

61.5% of waste sent to recovery plants

472.8 tCO_{2eq} GHG emissions
(scope 1 and scope 2)

3.91 % reduction in waste production
(in terms of waste / production)

1. About the Group

1.2 Our Sustainability Approach

The importance of sustainability and its integration into the business model are increasingly influencing and shaping companies' daily operations and decisions and could determine in the medium-long term their success and competitiveness. The introduction of new reporting requirements on non-financial information (e.g. European Directive 95/2014) is changing the national and international landscape, putting more and more attention on the management of sustainability topics and on the disclosure of related risks and opportunities. While always being aware that a company's economic performance cannot be disconnected from the ecosystem in which it exists, and committed to ensuring high standards of social and environmental performance, in 2016 Perfume Holding decided to embark on a journey towards the achievement of ambitious corporate sustainability objectives, by publishing its **first Sustainability Report** and by becoming a member of the United Nations Global Compact. Perfume Holding continues along this journey for the third consecutive year, energized by the lessons learned, the objectives achieved, and the ambitious goals that

wait ahead. In particular this report aims to give a clear and up-to-date picture of the Group's 360-degrees approach to sustainability, the main internal and external initiatives the Group has implemented and the positive impact generated for society.

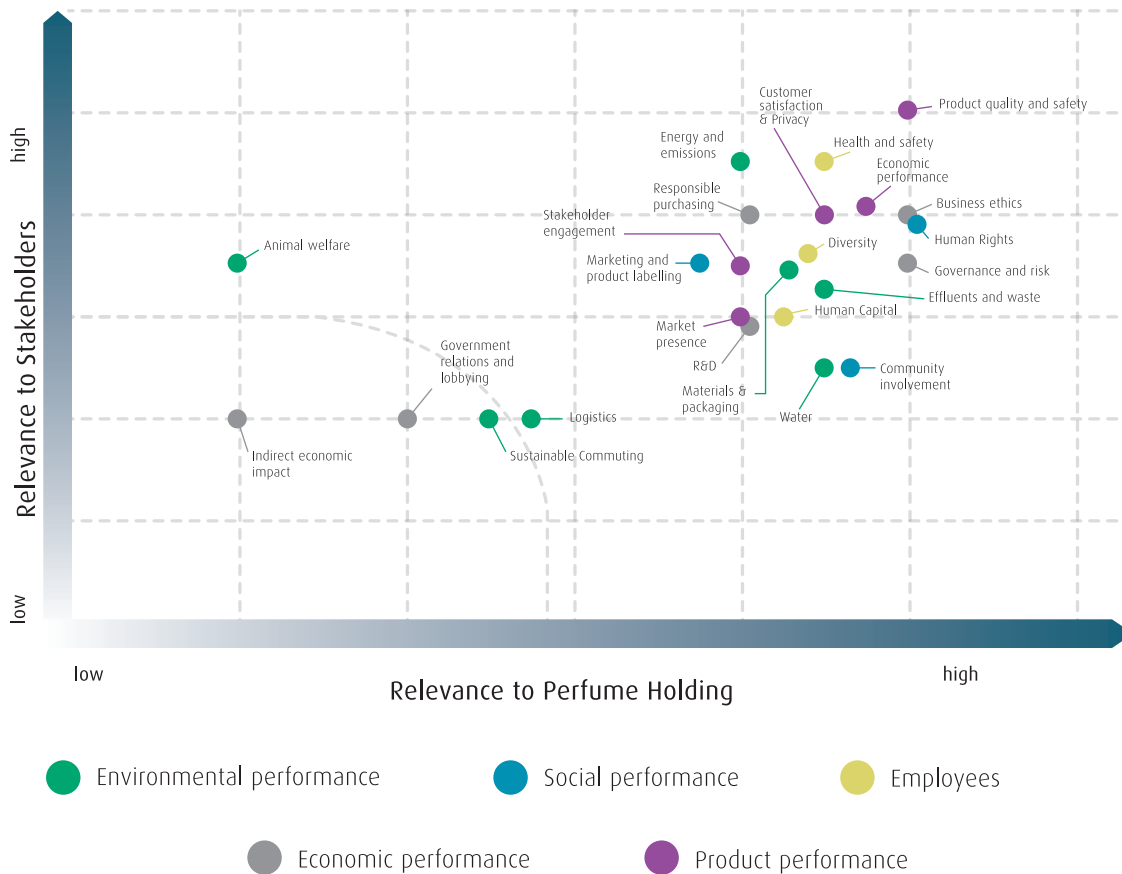
For the preparation of its annual Sustainability Report, Perfume Holding carries out a materiality analysis in order to identify and address all the sustainability issues that are most relevant for the Group and its stakeholders. The process was undertaken for the elaboration of the first Sustainability Report, by applying the 2016 GRI Sustainability Reporting Standards for the identification and selection of key stakeholders and for the elaboration of the materiality matrix.

Indeed, as requested by the GRI Sustainability Reporting Standards, for 2016 Sustainability Report the Group identified the most significant economic, environmental and social aspects that could potentially influence the assessment and decisions of stakeholders. These topics were selected on the basis of the results of an industry benchmark and the GRI Sustainability Reporting

Standards. Subsequently, both internal and external stakeholders were surveyed in order to evaluate and prioritize the topics based on their relevance to the Group and to its key stakeholders. Finally, these topics were mapped to create the **materiality matrix** which represents on the x-axis the relevance of the topics for Perfume Holding, and on the y-axis their relevance for stakeholders. The picture emerging from the matrix serves as a tool for defining the Group's sustainability strategy, hence the aspects that are covered within the Sustainability Report.

For the 2017 Sustainability Report the materiality analysis was reviewed and slightly updated in order to better align it to emerging sustainability trends in the cosmetic industry. For the 2018 reporting year the materiality matrix remains unaltered compared to the previous year. It was confirmed that there were no changes required as the materiality matrix still reflects the same priorities and matters for Perfume Holding and its stakeholders as represented below.

Stakeholder Mapping



The most relevant topics, presented in the top-right corner, mostly relate to product quality, business responsibility, the environment and occupational health & safety. These topics reflect Perfume Holding's priorities and its com-

mitment to its customers, its people, and the environment, and are therefore the focus of this Report. The topics that fall below the dashed line are classified as not material to the Group's core business.

Perfume Holding's Sustainability Journey

Perfume Holding has been working towards sustainability for many years. The key steps that marked the Group's sustainability journey are described below:

2018

- In March 2018, Morris Profumi S.p.A. aligned the certification UNI EN ISO 14001 to the new reference standard ISO 14001:2015.

2017

- The Group published its first Sustainability Report related to its sustainability performance in 2016.

2016

- Perfume Holding became a signatory of the UN Global Compact and defined its commitment towards its 10 principles.

2015

- Morris Profumi S.p.A. earned the "Silver Recognition Level", ranking among the top 30% of sustainability performers evaluated by EcoVadis¹.
- For the first time, Perfume Holding included non-financial information into the 2015 Annual Report, in order to provide stakeholders with an overview of its sustainability approach.

2013

- The Code of Ethics was approved by the Board of Directors of Morris Profumi S.p.A.
- Morris Profumi S.p.A. obtained the **UNI EN ISO 22716:2008** certification.
- The production plant in Parma was thermally insulated.

2007

- Morris Profumi S.p.A. obtained the **UNI EN ISO 14001:2004** certification. For the first time, a roadmap with environmental and health and safety targets is defined, to be updated on an annual basis.

UN GLOBAL COMPACT

In order to reinforce its dedication to sustainability, Perfume Holding became a signatory of the UN Global Compact in 2016 and it is committed to working towards its 10 principles. The global initiative, supported by the United Nations, is based on universal sustainability principles addressing four key

areas: **Human Rights, Labor, Environment** and **Anti-corruption**. In being a signatory to the UN Global Compact and integrating the principles into the company's core business, Perfume Holding not only confirms its main responsibilities to people and the planet, but also sets the stage for long-term success.



WE SUPPORT

¹ Ecovadis is a collaborative platform that rates sustainability performance of companies based on CSR policies and supply chain management.

1.3 Perfume Holding - About the company

Founded by Giuseppe Borri under the name of Morris Profumi in Parma in 1946, the company started its activity with the mission to produce and distribute fragrances in Italy.

Since its foundation, the Company's main goal was to generate high quality and innovative products, always aiming for excellence in its daily activities.

Perfume Holding² is an international Group that has always not only valued its brand and its people, but also its customers, offering a uniquely integrated approach to meet its clients' needs along the whole value chain, from the creation to the production and distribution of fragrances. A key strength, thanks to which Perfume holding has posi-

tioned itself and currently operates in the niche fragrance market areas.

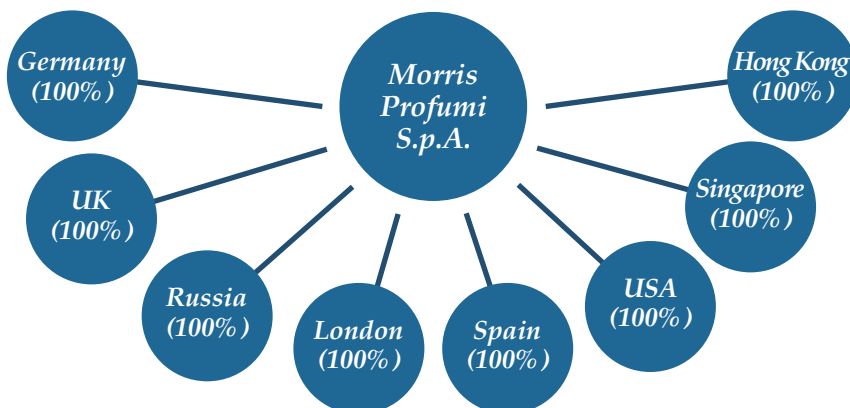
Driven by creativity and passion, the Group boasts a prestigious portfolio³, consisting of proprietary brands such as Atkinsons London 1799, I Coloniali, English Garden and Morris, as well as licensed brands like Dirk Bikkembergs, Iceberg, Liu Jo, Sergio Tacchini and Fiat 500. As concerns the brand Atkinsons London 1799, a new important milestone in the Atkinsons worldwide growth was reached in May 2018 with the opening of a new boutique in Dubai at the Dubai Mall.

Perfume Holding's corporate goal is to be the leader in the niche and selective segment of perfumes and cosmetics markets. Its scientific know-how and its uni-

quely integrated approach allow for the choice of the finest essences in the laboratory, a strategic distribution of products through the global network according to the specific target market, as well as specialized marketing and communications services.

Perfume Holding's operations are mainly based in Italy where the following departments are located: R&D, Regulatory Affairs, Quality Control, Manufacturing and Production, Sales, Finance, Marketing and Creation.

Products are distributed in over 80 countries, with representative offices in the U.S.A., United Kingdom, Germany, Italy, Russia, United Arab Emirates, Singapore, Hong Kong and Spain.



The Group is indirectly owned by a fund managed by Investindustrial, a leading European investment and advisory group, which focuses its activity on three main areas of investment: consumer, retail and leisure, business services and industrial manufacturing.

² The Group Morris Profumi is also commercially known as Perfume Holding. Instead, the reference "Morris Profumi S.p.A." solely refers to the parent company.

³ A more detailed description of the Product Portfolio can be found in the Group's 2017 Annual Report.

1.3.1 Corporate Governance

Corporate governance is the driving force behind all the decision-making processes and plays a key role in establishing relationships of trust between the Group and its stakeholders: integrity and ethical behavior of all employees, administrators and collaborators is key to maintaining Perfume Holding's reputation and to ensure mutual trust.

Perfume Holding has implemented a control and governance system based on the role of the Board of Directors, comprising 5 members, which is entrusted to ensure the ordinary and extraordinary management of the Company.

Perfume Holding recognizes the importance of high standards of ethical behavior and social responsibility in the conduct of its corporate and business affairs and is committed to respecting the legitimate interests of all stakeholders, including the community in which it operates. The Group's conduct and activities are guided by the **Code of Ethics** of Morris Profumi S.p.A., which was approved by the Board of Directors in 2013 and shared throughout the

Group. The Code of Ethics represents the set of ethical values and standards of conduct, already deeply rooted in the Group's culture, on which people working for the Group should base their activities. The Code of Ethics is an instrument designed to preserve the values and the integrity of the company over time, in particular the values of legality, integrity, transparency, and impartiality, and represents a set of positive principles and standards the Group has chosen to adopt as a concrete expression of its commitment in its relations to all stakeholders.

Moreover, the Group believes in the respect for Human Rights as the foundation for liberty, justice and peace. The organization, management and control model adopted complies with the provisions of Legislative Decree 231/2001 and implements procedures, criteria and sanctions designed to ensure compliance with the ethical values and standards of conduct set in the Code of Ethics. A number of preparatory activities have been carried out for the construction of a risk prevention and

management system in line with the provisions of Legislative Decree 231/2001⁴.

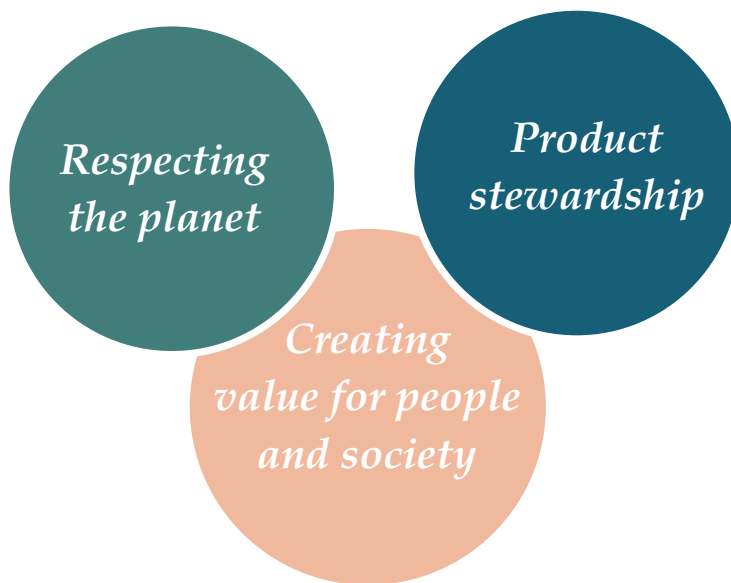
As a result of Perfume Holding's attention to these topics, no incidents of discrimination or corruption were recorded in 2018.

⁴ More information is provided within the Code of Ethics and the 231 Model (both available on the website).

1.4 Perfume Holding's priorities

The following chapters focus on the key areas that guide Perfume Holding's sustainability agenda, based on the materiality analysis.

In particular, these priorities can be clustered into three different dimensions:



The year 2018 in brief

Product stewardship

More than **400 new preliminary formulas** tested
*Development of new skin care products with
 Sun Protection Factors*

*Creating **value** for people and society*

6.9 tons of products **donated to charity**

More than **1,000 hours** of employee training, including more
than 250 hours of training on quality management

Respecting the environment

61.5% of waste generated sent to recovery plants

3.91% reduction in waste production
 (in terms of tons of waste / tons of production)

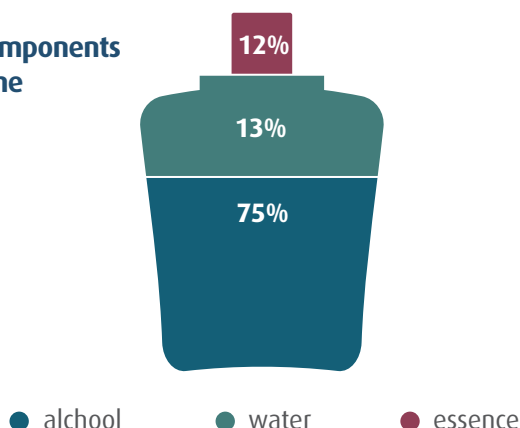
What's inside your perfume?

For the production of fragrances, the primary materials used are alcohol (usually around 75-78% of the fragrance), essence and

water. In 2018, **549 tons of alcohol** and **105 tons of essence** were used in the production plant. Furthermore, around **89 m³ of wa-**

ter were also used for the preparation of fragrances in 2018.

Average components of a perfume



The main components for the production of perfume bottles and their packaging are glass, paper and cardboard, plastic (ferrules, caps, pipettes) and aluminum. All components are sourced from suppliers and not produced by the company itself. Glass, paper and aluminum are highly recyclable materials, and for this reason Morris Profumi S.p.A. sorts them separately from the remaining

material, in order to ensure they undergo a recovery process. The company is committed to eliminating secondary packaging of certain product lines, in order to reduce paper and cardboard consumption.

The reduction in packaging size is also very important for the Group, and products' packaging design is a central component of our Products Life Cycle Assessment procedure with the

aim of maintaining an adequate proportion between the size of perfume bottles and their packaging and consequentially reducing the amount of packaging required per product.

Beauty care products such as creams, shower gels, and body lotions are produced by external providers.

2.1 Products' environmental responsibility

The art of perfumery and the creation of beauty care products are simultaneously one of the most ancient forms of craftsmanship and one of the most innovative sectors today. On one side of the

spectrum there are traditional beauty remedies and ingredients passed down through generations; on the other, are highly sophisticated research and development studies based on molecular science.

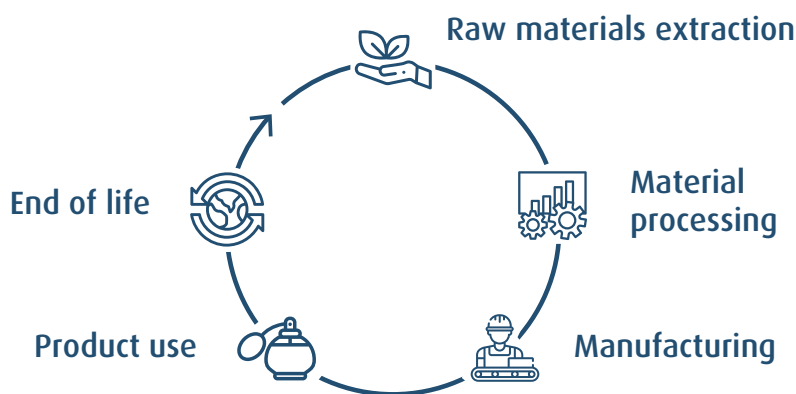
At Perfume Holding, we are becoming increasingly aware of the power of natural active ingredients, and also of the potential of new technologies to amplify and replicate such beneficial effects, often with

a lower environmental impact. Central to our work, is ensuring that we design, produce and commercialize high quality products that are optimal for consumers' use while also being increasingly respectful of the environment, from the strategic selection of the materials used, to the designing of the production processes entailed, to the creation of the final packaging. In other words, at Morris Profumi we want to guarantee high sustainability standards of our products, at every stage of production.

At Morris Profumi, reducing products' environmental footprints is one of the milestones of our daily efforts and activities. To this end, already from 2017, Morris Profumi introduced a Product Life Cycle Assessment (LCA) Procedure, with the goal of incorporating key environmental criteria during the design and development of new perfumes, in order to encourage the selection of materials and suppliers that are in line with the Group's environmental performance objectives. The procedure entails the completion of

a checklist which includes, among others: information on whether the supplier selected offers after sales services to reuse and/or recycle the products sold (e.g. packaging), whether the product packaging has been designed to facilitate its reuse/recycling, whether alternative ingredients have been considered in order to lower the use of potentially hazardous substances, whether the product contains reused/recycled components, whether an eco-label could be applied, etc.

Product Life Cycle Assessment (LCA)



In 2018, as an evolution from 2017 when the Product Life Cycle Procedure was performed for the first time on the new perfume FIAT 500 as a pilot, this evaluation was applied to all

projects brought to market, an action that was particularly appreciated during the ISO 14001 re-certification audit. This result achieved during 2018, was an important step forward, which

will lead in some years to extend this methodology to all our products (new and existing ones), starting from the designing phase (from the selection of raw materials providers, to the

design and the evaluation of products with higher environmental performances in terms of products and packaging).

At Morris Profumi the environmental assessment of products starts not only with the selection of natural ingredients for new perfumes, but it is extended also to the improvement and evolution of existing ones. For instance, the environmental performance of few product lines – in particular, Atkinsons scrub creams – has been improved, in this case by substituting the scrubbing micro-plastic material with natural and biodegradable ingredients. In addition, already in 2017, the Company proceeded with the replacement, in some formulas, of silicon oils with vegetable derived oils, in order to prevent the potentially negative impact of silicon oils on the environment and on aquatic animals. The substitute oils, derived from olives and Brassica Campestris, are readily biodegradable

and thus have a negligible impact on the environment compared to the silicon ones, in addition to offering precious properties for the skin. Similarly to the selection of natural ingredients, the approach to perfume packaging design contributes to increasing the sustainability of our products. For instance, in 2018 the Atkinsons product line's packaging has been ideated to perfectly suit the size of the perfume's bottle, in order to reduce the amount of packaging waste both during the production and utilization phase.

For the coming years, Perfume Holding commits to continuing and to improving its environmental performance, by researching new solutions and market opportunities for eco-products. To this end, starting from 2017, Morris Profumi carried out an internal engagement process with all employees, in order to evaluate the potential demand for eco-friendly products, as well as to raise awareness

on products' environmental sustainability within the Company. Moreover, the area of innovation and research has increasingly concentrated its studies in developing innovative products able to guarantee a high level of natural origin ingredients, in order to maintain their integrity and functionality besides respecting the environment.

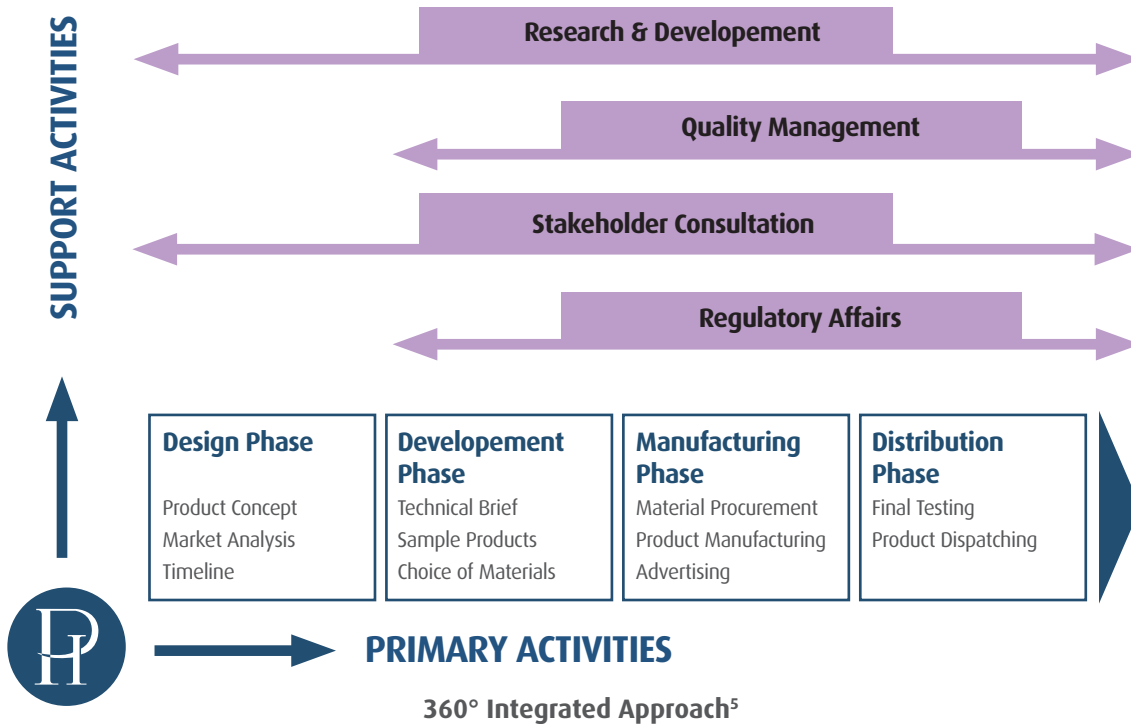
2.2 An integrated value chain

Perfume Holding's 360 degree integrated approach is one of the company's key strengths. As it maintains direct control over all stages of a product's life cycle, from the design, to the development, manu-

facturing and distribution phases, Perfume Holding is today a unique actor within the industry, due to its in-depth understanding and expertise of the sector. To ensure that products are in line with applicable laws

and regulations while guaranteeing high quality standards, the Group works with suppliers throughout all activities, from product design to distribution.

The following figure illustrates Perfume Holding's 360° integrated approach:



The Group's impacts lie not only in its operations and final products but also in its suppliers' and customers' operations. For this reason, Perfume Holding is committed to ensuring responsible procurement and excellence throughout the value chain. The Group has a qualification and evaluation procedure for suppliers as well as for subcontractors, which is measured via a questionnaire addressing issues such as quality management systems, environmental impact, health and safety of employees

and Corporate Social Responsibility (CSR) approach. A quality audit is conducted for all new subcontractors, in order to sign a quality agreement to guarantee quality standards and procedures are being met. This allows Perfume Holding to ensure all suppliers and subcontractors apply the Group's standards throughout the supply chain. Furthermore, all environmental authorizations are assessed to ensure they are valid and up to date. Suppliers are then ranked according to their responses.

Should any specific issue be identified, corrective actions are taken (e.g. official communication, audits, etc.).

In 2018, a total of 107 suppliers (83%) were assessed, which is an 11% increase compared with 2017, and the Group is committed to extending the process to 100% of suppliers. In addition, main suppliers and subcontractors are also required to sign Perfume Holding's Code of Ethics and operate in compliance with its principles.

⁵ A detailed description of the Integrated Approach can be found in the Group's 2018 Annual Report.

The environmental sustainability assessment of suppliers has been at the basis of a new important technological partnership with ROELMI HPC, a company specialised in Italian research, design, development and production of functional ingredients, for the creation of the new line of "I Coloniali". This Company has been chosen by the Group after careful evaluation. Along with their NO

IMPACT IN PROGRESS® philosophy for sustainable development, the Company's main goal is to enhance humans' life-quality guaranteeing the environmental preservation, using renewable sources, respecting biodiversity, guaranteeing ethical supply chain, supporting local communities, besides delivering a high level of safety and performance. For these reasons ROELMI HPC has been cho-

sen with a double role: as supplier of functional ingredients, which among others include vegetable oils such as the olive oil derived from non-edible portions of Olea Europaea and biodegradable emollients agents coming from cardoon, by local cultivar in marginal lands, and as contractor to study and define some formulas for which specific equipment is necessary.

2.3 Product Innovation and R&D

The research and development (R&D) laboratory of Perfume Holding is characterized by a strong passion for science and intuition for creativity. The mission of the R&D department is to fulfil the continuously increasing requests of customers who see cosmetics as an integral part of their daily life. The creation of new product formulas is a meticulous process: in order to define the perfect formula, adjustments need to be made ingredient by ingredient until the perfect outcome is achieved.

The R&D lab also cooperates with external partners to translate scientific discoveries into healthy skin care products (see paragraph above for more details). In 2018, Perfume Holding has continued its collaboration with the University of Pavia, in particular a team of biologists, expert in ancient apothecary recipes, to develop innovative formulas for the new line of "I Coloniali" skin care products, in which scientific excellence is mixed with the knowledge of traditional herbs and spices.

In particular, one of the focus areas of collaboration is the re-discovery of old recipes and the use of extracts, for example, from cinnamon and lilium. Moreover, in 2018, research has also been focused on the introduction of the Sun Protection Factor (SPF) into products, in order to protect the skin from the sun's ultraviolet rays.

More than
400
preliminary
formulas for
product
development

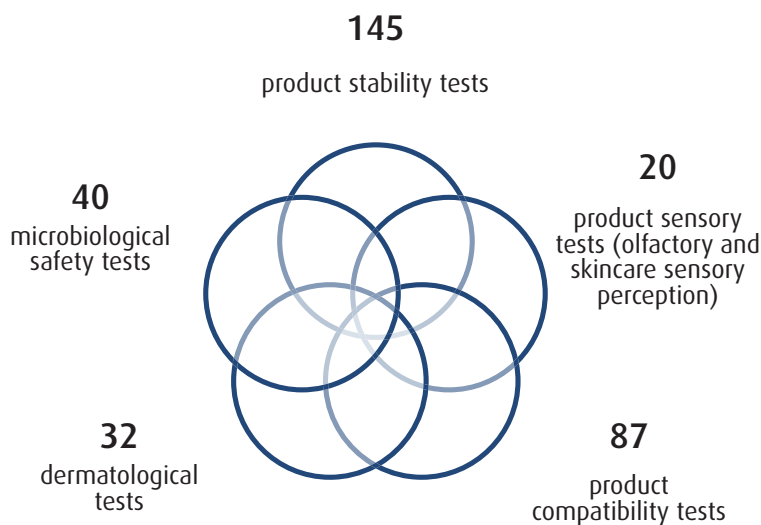
122
formulas
approved for
product launch

14
formulas
produced in
2018

The R&D lab develops and tests hundreds of product formulas every year. These formulas undergo several stages before being approved for production and launch. In 2018, around 400 preliminary product formulas were tested for new product development, out of which 122 formulas were approved for production and 14 effectively

produced, after undergoing several testing phases⁶. The remaining 108 will be evaluated for future production. Overall, in 2018 the number of approved formulas for product development increased: this growth is mainly due to the relevant number of tests needed to embed SPF into the new skin care products of “I Coloniali” (as

they require strict security parameters). As a result, the new skin care products line will include around 10 new products, which official launch will occur between the end of 2019 and the beginning of 2020. The tests managed by the R&D lab are represented in the following figure:



Animal welfare

Perfume Holding complies with the European Directive against animal testing (2003/15/EC), in force since 2004, which forbids any form of animal testing for cosmetic products, and with the EU regulation on cosmetic products (EC No

1223/2009), which prohibits products containing ingredients that have been tested on animals.

These laws are in line with Perfume Holding's values, which tests all ingredients and final products with al-

ternative procedures, in order to ensure that no animal is harmed while simultaneously ensuring high standards of safety and quality of its products.

⁶ For more detailed data and information regarding the R&D lab activities in 2018, please refer to the Group's 2018 Annual Report.

2.4 Labeling and packaging

Perfume Holding ensures customers have access to accurate and adequate information on the products and services they consume, both from a product labeling and a marketing communication perspective. Fair and responsible marketing communication and transparency on product composition and their proper use and disposal allow customers to make informed choices.

Perfume Holding's internal policy on labeling and packaging is defined and supervised by the Regulatory Affairs department and is periodically updated. Products, product packaging and product labeling are compliant with all relevant European regulations applicable to the industry and contain all necessary information to sell products worldwide, including Asia, Russia, Far East, Middle East, and South America. Required product information includes product components, content, safe use and disposal of the product. Distributors must check the correctness of the labelling before making a cosmetic product available on the market and verify that the language requirements are fulfilled under the applicable national law and that the date of minimum

durability has not passed if mandatory.

Furthermore, all Perfume Holding's fragrances are compliant with the Standards of the International Fragrance Association (IFRA Standards), a globally accepted and recognized risk management system for the safe use of fragrance ingredients. The Standards represent a self-regulating framework of the industry, based on risk assessments carried out by an independent Expert Panel.

A Cosmetic Product Safety Report is prepared for every finished product being placed on the market and is reviewed on a regular basis. To that end, potential undesirable effects on human health resulting from product use are filed and taken into account in the following safety assessment of the product. For packaging in direct contact with the cosmetic product, specific regulatory verification is carried out.

All of Perfume Holding's products comply with applicable regulations, including:

- **Cosmetic Regulation (UE) N° 1223/2009** of the European Parliament governing the composition, labeling and

packaging of finished cosmetic products in the European Union. The regulation was adopted to improve the protection of human health and the environment from risks that can be posed by chemicals.

- **Regulation (UE) N° 655/2013** common criteria for the justification of product claims.
- **Directive 94/62/EC** of the European Commission on packaging and packaging waste.
- **REACH (EC 1907/2006)** regulation on the use of chemicals.
- **Directive 75/324/EEC** regarding aerosol dispensers.
- **CLP Regulation (UE) No. 1272/2008** on labeling and packaging of substances and mixtures.

2.5 Quality and safety for customers

One of Perfume Holding's key priorities is offering high quality and safe products to customers. Quality management is a central activity in the value chain of our products, as quality needs to be monitored continually, besides being a way to guarantee that all quality & safety standards are being met. In 2018, 100% of products achieved compliance with relevant European regulations and were assessed for health and safety impacts by qualified external safety experts before being launched into the market. The **product safety assessment** process requires expert knowledge with respect to the product composition, the chemical and physical properties of the ingredients, the manufacturing process and the method of application of the product. All the data needed for safety assessment is kept by the Regulatory Affairs department as part of the Production Information Forms (PIFs) and Cosmetic Product Safety Reports (CPSRs). The experts undertaking the assessment combine their in-market experience with best available techniques, in order to perform thorough safety evaluations. Relevant information is also collected from the distributors of the products, as

they have useful sales and market data.

The main steps of a safety assessment are:

- Ingredient testing, including potential effects of product packaging on the safety of the product;
- Stability testing of the product before and during the use-phase, to assess how the quality of the product varies with time under the influence of a number of environmental factors (for example, temperature, humidity and light), ensuring no safety risks are identified;
- Analysis of product performance to ensure safety of exposure to substances. When possible, the safety margins are obtained. In cases where it is not possible to obtain the safety margins, documented information of the ingredients is evaluated, in order to assess health and safety impacts;
- Verification of the product labeling to ensure accuracy of the instructions and warning information provided and that all legal requirements are being met;
- Identification of the final product and its compliance with Good Manufacturing Practices (GMP).

A Cosmetic Product Safety Report is prepared for every finished product being placed on the market and is reviewed on a regular basis. To that end, potential undesirable effects on human health resulting from product use are filed and taken into account in the next safety assessment of the product.

No episode of non-compliance relating to product quality and safety was reported in 2018.

Morris Profumi S.p.A. demonstrated its commitment to continuous quality improvement by obtaining the ISO UNI EN 22716:2008 certification in June 2013. This is a harmonized standard and guideline for Good Manufacturing Practices (GMP) in the cosmetic sector. The application of such standards guarantees to comply with provisions of the European regulation 1223/2009 governing the composition, labeling and packaging of finished cosmetic products and ensuring a high degree of safety, transparency and objectiveness of product information.

100%
of products are
compliant with
relevant EU
regulations

Holding the ISO UNI EN 22716:2008 certification requires having a Quality Assurance System that, in order to maintain product warranty and safety, guarantees high quality and security of finished products through various procedures, such as: process mapping; criticality monitoring; internal and external planned audits in order to verify compliance of the processes; and employee training in line with Standard Operating Procedures (SOP). The Standard also certifies compliance with GMP throughout the whole supply chain.

Morris Profumi S.p.A. is the first company in the perfume manufacturing industry to obtain the ISO

UNI EN 22716 certification by DNV Business Assurance in Italy. Being certified implies the entire company is working towards a common target and is aware of the importance of quality policies and procedures as well as employees' impact on everyday operations and customers' health. To this end, in 2018, Morris Profumi offered 284 hours of training related to its Quality Management System and GMP, mostly to its blue and white collar workers (258 hours), to ensure employees respect Perfume Holding's Good Manufacturing Practices guidelines throughout all steps of the value chain, from stocking to production to product recalls. A dedicated function, the

Quality Assurance Manager, is in charge of planning, executing and monitoring these training activities, in order to guarantee a unique and solid approach within the company.

2.6 Complaints management

Perfume Holding keeps customer care and product quality at the top of its agenda. In 2018 no product batches were taken off the market. Customer complaints are managed through an internal Standard Operating Procedure (SOP) for complaint management as required by ISO UNI EN 22716:2008 and ISO UNI EN 9001:2015, which include procedures for quality management, customer satisfaction and guidelines for complaints handling in organizations.

The Complaint Management SOP provides guidance for handling complaints related to both commercial and non-commercial activities, ensuring consistent complaint treatment and reinforcing customer confidence, loyalty and satisfaction.

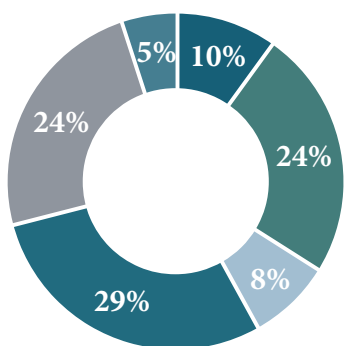
In particular, the complaint management process allows Perfume Holding to provide a transparent and responsive complaint management process; en-

hance its ability to resolve complaints in a consistent, systematic and responsive manner and to identify trends and eliminate causes of complaints through a customer-focused approach. End-users can directly contact Perfume Holding and the company's internal policy requires all signals to be singularly addressed within 24 hours by the Quality Assurance division. Each filed complaint is assessed for non-compliance with regulations and/or

voluntary codes. As prescribed by the internal policy, all complaints are analyzed and corrective or preventative actions are taken if required, in alignment to the quality continuous improvement system.

The nature of complaints in 2018 was in line with those received in the previous year. The sources of signaling in 2018 are illustrated in the following graph:

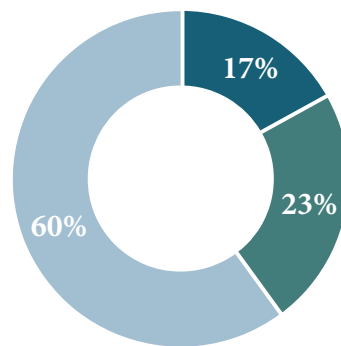
Source of signaling (2018)



- Web
- Export Customer Service
- Final Consumer
- Italian Customer Service
- Marketing
- Sales Director

The percentage of complaints classified as technically founded was 40%. The severity of the technically founded complaints was also aligned to the previous year, as illustrated below:

Severity of the technically-founded complaints (2018)



- Critical defect: important defect which inhibits the use by the end-user
- Major defect: which inhibits the purchasing of the product by the end-user
- Minor aesthetical defects: which give a negative impression on the quality of the product to the end-user

Complaints filed for reasons that are not related to technical defects are also addressed by Perfume Holding, classified as “unfounded”. These types of complaints allow Perfume Holding to understand how certain customers actually perceive the products and services offered by the company and take preventative actions. In 2018, the percentage of unfounded complaints was 60%, of which 44% were from final Customers. This trend remains stable compared to 2017.

Concerning data privacy, all personal data which identifies the final consumer is censored in accordance with the classification of an internal code. Personal data includes: name, e-mail address, telephone number and any other data that could identify the final consumer. Moreover, the email addresses of complainants are accessible solely to the defined internal reference person. During 2018, Perfume Holding did not receive any complaints concerning breaches of customer privacy or losses of customer data.

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3. Creating value for people and society

The dedication, passion and skills of the people working at Perfume Holding are the main features that reinforce the capacity of the company to innovate and to achieve excellence.

Perfume Holding is fully aware that the value it is able to generate relies, to the largest extent, on the relationships built over the years with its employees and the local community in which it operates. In or-

der to promote sustainable growth, a company needs to rely on human resource capabilities and willingness to implement and act on all strategic management decisions. In Perfume Holding, people, recognized as the most important and central resource, are treated as the most crucial factor for the company's success. Deeply-rooted in the local territory, Perfume Holding also relies on society and the local communities it is supported

by, conscious that the value generated and distributed to its surroundings will generate and feed a virtuous circle, from which the company will benefit too.

Given this, the value generated for employees and society is one of the key focus areas that guides Perfume Holding's sustainable pathway.

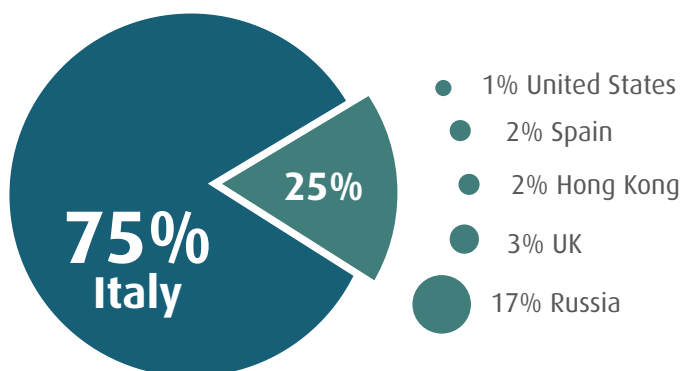
3.1 Employees

Considering its workforce as a fundamental and strategic factor for achieving the company's business objectives, Perfume Holding continuously seeks to protect and value its staff. The aim is to continuously improve and broaden their professional skills, while creating a fulfilling and rewarding working environment and increasing employees' sense of belonging to the company.

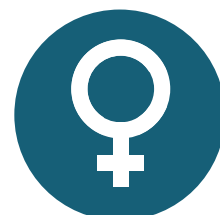
As of December 31st 2018, the Group employed 167 people. The Group's personnel is mainly located in Italy (75%), where the parent company is headquartered; the remaining employees are distributed across Russia, USA, Hong Kong, UK and Spain.

In 2018 the Italian workforce employed by Morris Profumi at the production site in Parma, totaled 125 people, of which 80% were women.

Perfume Holding employees,
by geography and gender



167
employees



80%
women in
Italy

Employees									
Country	2018			2017			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	25	100	125	35	108	143	37	110	147
Spain	3	1	4	3	1	4	-	-	-
UK	3	2	5	3	2	5	-	-	-
United States	1	-	1	1	-	1	1	-	1
Germany	-	-	-	-	-	-	1	-	1
Dubai	-	-	-	1	1	2	2	1	3
Singapore	-	-	-	-	-	-	-	1	1
Hong Kong	1	2	3	-	2	2	-	-	-
Russia	7	22	29	8	26	34	4	18	22
France	-	-	-	-	-	-	-	1	1
Total	40	127	167	51	140	191	45	131	176

Table 1: Perfume Holding - total number of employees by gender and geographical area

Morris Profumi S.p.A. manages its relationship with employees through permanent contracts, which, in fact, represent the totality both in the reporting period and in the previous year. In 2018, 93% of employees worked full-time, in line with the previous year. In 2018, 6 people were hired for seasonal changes to the production line through external agencies, 8 were self-employed persons and 6 contractors.

All of Morris Profumi employees are covered by collective bargaining agreements, as required by national law. Minimum notice periods can be found in corporate policies and standard employment contracts.

Moreover, Morris Profumi has an internal business policy that includes employee contract details in addition to the general reference legislation. An internal approved policy also formalizes the commitment of Morris Profumi not to hire people under 18 years old and not to have relationships with contractors or suppliers who employ people under that age.

More detailed data on diversity and employees' turnover are reported in the "Performance Indicators" section, at the end of this Report.

3.1.1 Development and training

Perfume Holding offers equal employment opportunities to all employees based on professional qualifications and capabilities, without any form of discrimination. As specified in formalized internal policies, the selection, recruitment, remuneration and career development plans are based exclusively on merit and professional skills, without any discrimination regarding political or religious beliefs, membership of unions, race, language, gender, age, working timetable, family status or role within the company, in compliance with the current and relevant legislations and employment contract.

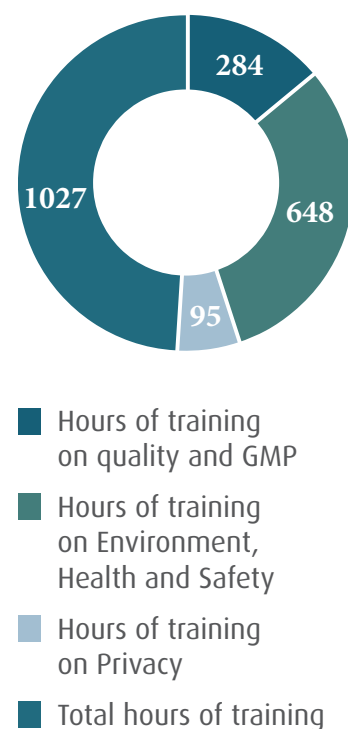
People development, which is one of the top priorities of the company, starts from the hiring of new joiners and proceeds throughout their entire careers. In fact, new employees are introduced to the company's culture and main policies through an induction program, which is usually held in Parma. Yearly training activities are designed to strengthen professional skills, improve interpersonal relationships and establish a positive working environment.

Morris Profumi monitors the training hours related to Environment, Health and Safety and process quality/ Good Management Practices (GMP) topics. In particular, regarding the production site, each employee is regularly updated on environmental and safety activities and initiatives via an informative booklet. In addition, each employee receives training on the above-mentioned themes through specific courses organized either internally or externally. Each year, a training plan is prepared, in order to meet requirements and deadlines on environmental, occupational safety and quality/GMP processes.

In addition, in 2018, following the new regulatory requirements that came into force, courses on privacy-related topics have been carried out.

The following chart represents the distribution of training hours by topics in 2018. Overall, 24 courses on Environmental, Health and Safety, 10 courses on privacy topics, as well as continuous training on Quality/GMP have been

carried out for a total of 1,027 hours of which 67% was delivered to women and 33% was delivered to men. On average, each employee attended 8.2 hours of training throughout the year, with a slight increase as compared to 2017 (7.8 hours per employee).



Promoting high quality working conditions

Morris Profumi is active in enhancing the **wellbeing of its employees** as well as their **work-life balance**. To this end, at the production site in Parma, the company reached an agreement with local public transportation

to provide a shared and free bus for its employees. This solution aims to increase awareness of environmental practices, provide transportation options to employees who do not own a vehicle and enhance employee safety during commuting.

In addition, the company provides its employees with a salary bonus to cover part of lunch-related expenses and, for parents with children at preschool, a salary bonus to cover part of preschool fees.

3.1.2 Health & Safety at work

Morris Profumi works hard to spread a culture of safety, by raising awareness of risks, promoting a responsible behavior and endeavoring to preserve occupational health & safety. The Group works toward a “Zero injuries” target.

Among the preventative actions put in place by the company, there is the implementation of a safety management model following the UNI-INAIL guidelines. The management system includes a business policy, training plans and other procedures (such as non-compliance management, emergency management, periodic monitoring of all plant facilities, communications management, etc.).

All the potential risks⁷ faced by the company are constantly monitored, and four security audits are carried out on a yearly basis, in accordance with Model 231. The company periodically schedules dedicated meetings with all manufacturing departments and different area managers to discuss possible business issues and collect suggestions on occupational health and safety, environment and quality management.

Morris Profumi activities, even though related to a production environment, present relatively low risks of hazards, resulting in a low number of accidents.



An updated **Environmental, Safety and Social Responsibility Policy** has been drafted and approved in February 2018

In 2018, two injuries were recorded at the production site in Parma, which lead to **14 lost days** (strong decline with respect to the previous year, when 2 injuries caused 35 lost days). The injuries recorded in 2018 were classified as minor and did not severely impact the health of the employees or workers involved. More detailed data on health and safety indicators are reported in the “performance indicators” section, at the end of this Report.

⁷ At Morris Profumi S.p.A, the production site, the main risks include: fire risk, explosion hazard, chemical risk, biomechanical overload risk due to repetitive work and manual handling of loads.

3.2 Supporting the local community

Perfume Holding holds direct, responsible and long-term relationships with the community in which it operates. The company has been engaged in charitable activities with local organizations for several years, usually donating products to volunteering associations, in order to support their activities.

In 2018, the Group donated around **6.9 tons of products** (e.g. body wash, etc.) to several associations that needed them and provided financial support to LILT association (Lega Italiana per la Lotta contro i Tumori), an Italian non-profit organization, focusing on cancer research.

Moreover, in 2018, the Procurement division of

Morris Profumi engaged EMC2, a local Social Co-operative Enterprise, for delivering its cleaning services to the Company, besides engaging it for the production of some Christmas presents. EMC2 activities aim at promoting the recruitment and integration into work of disadvantaged and disabled workers. The co-operative, which holds ISO 14001, ISO 9001 and OHSAS 18001 certifications, mainly operates in ecological maintenance, relocation and removal, socio-educational and social care services.

In 2018 the Group was involved in several other initiatives supporting local communities, such as:



6.9 tons of products donated to charity

- Sponsorship of cultural events for the city of Parma, such as the "Festival Verdi" and sport events (e.g. "**Giocampus**" summer camp);
- Participation in educational projects ("**alternanza scuola-lavoro**") hosting students for temporary internships.

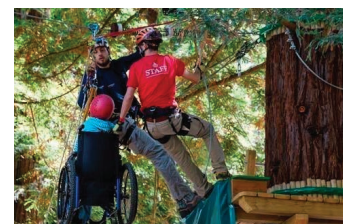
In addition to these events, in 2018 the Company's contribution to the development of its local community has strengthened by proactively taking part in initiatives promoted from **Dynamo Camp** and from "**Parma, io ci sto!**" association.

Dynamo Camp - Right to happiness

With a full commitment to the Dynamo Camp's philosophy, in 2018 Morris Profumi raised funds to support the mission and activities of Dynamo Camp by selling handbags to its employees.

Dynamo Camp Non-Profit Association has the sole aim of social solidarity and operates, not for profit, in the social and social/health assistance sec-

tor. Its program consists of a wide offer of creative, expressive, fun and exciting activities structured on the basis of the Recreational Therapy model. Every activity at Dynamo Camp can be interpreted as a personal challenge, constructive and without elements of competition. The camp is for children from 6 to 17 years with serious and chronic pathologies who are both in



therapy and in the post hospitalization stage, free of charge. Programs are designed ad hoc for the whole family in the awareness that an illness does not just affect the sick child, but the whole family.

Parma, io ci sto!

With the aim of strengthening the company's commitment within the territory of Parma, in 2018 Morris Profumi further strengthened its local engagement by taking part in many initiatives promoted from the association "Parma, io ci sto".

Founded in 2016, the association is active in four main areas: **Food, Culture and Music, Education and Innovation, Tourism and Leisure**. All that, with the aim to promote and coordinate social, cultural and educational initiative

to encourage the development of both the human and economic capital of the city of Parma and its surrounding area, while fostering entrepreneurship and stronger connections between citizens, businesses, schools and University.

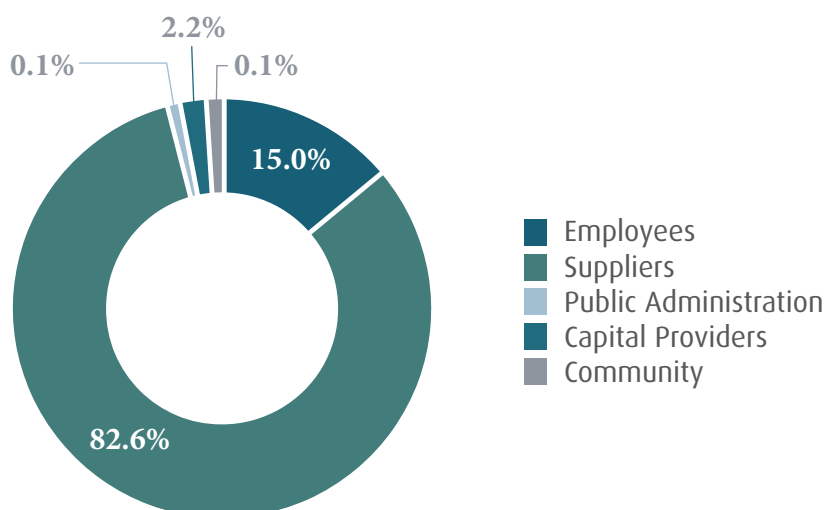
3.3 Value creation

Data related to the creation and distribution of economic value provide an indication of how the company creates value for its own development, while simultaneously contributing to the development of its community and key stakeholders including em-

ployees, suppliers, capital providers and the Public Administration. The added value is calculated through a reclassification of the consolidated income statement and highlights the economic effects generated by the business' management.

During 2018, the value generated by Perfume Holding amounts to € 64,164,000. It is mainly distributed towards suppliers and employees and is broken down as follows:

Economic value distributed in 2018



Consciousness that the long-term success of a company also depends on the ability to plan and make decisions aiming to embed sustainable practices throughout the value chain is the reason why Perfume Holding has been committed to respecting the environment for many years. By measuring and monitoring its environmental performance, the Group reinforces this commitment to its stakeholders. Such commitment is reflected in concrete actions, such as the UNI EN ISO 14001:2004 certified Environmental Management System implemented by the parent company Morris Profumi S.p.A. since 2007 and aligned to the new reference standard ISO 14001:2015 in March 2018. In addition, in 2018, the Company renewed its membership to the Ecovadis Rating. According to the vision of reaching the per-

fect balance between natural resource consumption and long-term economic growth while ensuring high quality of life to present and future generations, in 2016 the Group designed and approved its **Environmental, Safety and Social Responsibility Policy**, which was updated in February 2018. The main objectives of the policy include reducing pollution and ensuring compliance with environmental regulation.

In accordance with ISO 14001, the Group monitors and assesses environmental risks (including the assessment of climate related risks) and opportunities in order to yearly set operational guidelines and quantitative targets.

In addition, since 2016, the Group calculates its **Carbon Footprint** to monitor its impacts and implement precautionary and correcti-

ve measures to reduce such impacts.

Given the attention that the Group poses on environmental and social matters, a high level of commitment is also dedicated to the implementation of specific training and development programs for employees, to the establishment of virtuous collaborations, to the scrupulous measurement of a set of environmental indicators and the communication to all employees on each achievements and progress.

There were no verified cases of noncompliance with environmental regulations or standards in 2018, nor for the previous two reporting years.

4.1 Energy and Emissions

Morris Profumi recognizes its responsibility in reducing its contribution to global climate change phenomena. For this reason, even though the energy intensity of its production processes and commercial offices is relatively low, the Group's parent Company monitors monthly the energy consumption of its plants and offices and, once a year,

the Group's overall carbon footprint is calculated. The total energy consumption consists of electricity purchased from the national grid, used to power the offices and the operating site, and of the use of natural gas, which is limited to heating purposes. The overall energy demand is only slightly correlated to the actual production volumes:

the energy audit conducted in 2015, confirmed that the vast majority of the yearly consumption derives from heating and cooling processes, which are therefore mainly influenced by external weather conditions and seasonal phenomena.

The total energy consumption for 2018 amounts to 6,406 GJ, showing an in-

crease compared to 2017 (+10.7%). In particular, the consumption of natural gas shows a 15.7% increase linked to the weather conditions and the demand of electricity shows an increase of 4.8% due to a new shop in the UK and an office in Spain, which use electricity (instead of natural gas) also for heating.

The Group has set targets in order to achieve energy consumption reduction and all of its activities are aligned to meet such goals. Several initiatives have also been introduced to consistently work towards these goals, and can be divided into two categories. The

first consists in investments aiming at enhancing the energy efficiency of buildings and plants and includes the installation of innovative measures or the improvement of existing ones. Part of these measures include re-lamping activities, initiated last year, that were completed in 2018. Furthermore, to track and monitor the overall energy consumption rate, the Company installed new energy meters in the most critical electric panels. The second category focuses on the development of the Group's human capital by increasing social and environmental awareness among employees; this is

achieved through the provision of specific training and development programs.

The trend of energy consumption within the organization across the last three years, divided by fuel type, is represented in **Table 2**. Consumption is distinguished between production and commercial activities and it is possible to see that production activities are the most significant.

Energy consumption			
Fuel type	2018	2017	2016
PRODUCTION ACTIVITIES (Morris Profumi S.p.A.)			
Natural gas	3,322	2,830	2,660
Electricity	2,493	2,442	2,534
Total	5,815	5,272	5,194
COMMERCIAL ACTIVITIES (Russia, UK, Spain)*			
Natural gas	308	308	-
Electricity	283	205	-
Total	591	514	-
TOTAL	6,406	5,785	5,194

Table 2: Energy consumption within the organization by fuel type [GJ], Morris Profumi S.p.A., Russia, UK, and Spain.

* The shop in UK (London) and the office in Spain (Madrid) opened in 2018. 2016 data for the commercial site in Russia (Moscow) are not available.

Total greenhouse gas (GHG) emissions in 2018, reported in **Table 3**, amount to 472.8 tCO₂, showing an increase with respect to the previous year of about 7%. This value includes Scope 1 and Scope 2 emissions (location based calculation), defined as follows:

• **Scope 1:** direct GHG emissions from installations owned or controlled by the company (natural gas for heating purposes) and in 2018 amounted to 199.0 tCO₂.

• **Scope 2:** indirect GHG emissions from energy consumption, that is, GHG emissions from electricity, heat and steam imported and consumed by the company and in 2018 amounted to 273.8 tCO₂ (location based calculation).

Emissions			
Scope	2018	2017	2016
PRODUCTION ACTIVITIES (Morris Profumi S.p.A.)			
Scope 1	181.7	150.7	145.6
Scope 2 - location based	249.3	254.4	263.9
Scope 2 - market based*	329.9	323.2	335.4
Total (Scope1 + Scope 2 - location based)	431.0	405.1	409.5
COMMERCIAL ACTIVITIES (Russia, UK, Spain)**			
Scope 1	17.2	17.2	-
Scope 2 - location based	24.6	18.1	-
Scope 2 - market based	26.3	18.1	-
Total (Scope1 + Scope 2 - location based)	41.8	35.4	-
TOTAL SCOPE 1	199.0	167.9	145.6
TOTAL SCOPE 2 - location based	273.8	272.5	263.9
TOTAL (Scope1 + Scope 2 - location based)	472.8	440.4	409.5

Table 3: Scope 1 and Scope 2 emissions [tCO₂], Morris Profumi S.p.A., Russia, UK and Spain.

*The emissions scope 2 calculated according to the market based methodology is higher than those calculated according to the location based one, because the Company does not buy electricity certified as produced by renewable sources (certification of origin).

**The shop in UK (London) and the office in Spain (Madrid) opened in 2018. 2016 data for the commercial site in Russia (Moscow) are not available.

Starting from 2017, Morris Profumi S.p.A. also monitors GHG emissions deriving from its car fleet. Emissions are calculated multiplying the actual distance travelled by company cars throughout the year (km) by their average emission factors (gCO₂/km), resulting in an overall amount of 47.8 tCO₂ for 2018 reporting year, with a slight decrease as compared to 2017 value (54.4 tCO₂).

In 2013, the entire production site was thermally in-

sulated, thus significantly reducing natural gas demand for heating purposes and electricity demand for cooling, CO₂ emissions decreased accordingly. Other initiatives introduced to reduce CO₂ emissions deriving from business activities are:

- a company shuttle for employees' transportation;
- the new logistic service operator is nearer to the plant and has eliminated the journeys of the shuttle carrying the

components and finished products.

In order to ensure emissions minimization and compliance with standards and regulations, Morris Profumi also monitors emissions of Nitrogen oxides (NO_x) and Volatile Organic Compounds (VOCs).

4.2 Water

Morris Profumi has its headquarters in Parma, where water for the manufacturing facilities and the offices is mainly sourced from public aqueducts. A minor amount of water is also needed for irrigation purposes and for the fire system and is withdrawn from an owned well.

Total **water withdrawal** in

2018 amounted to 5,059 m³, showing a 12% decrease with respect to 2017. The relatively higher values of 2017 and 2018 compared to 2016 are due to leaks. In particular, a leak in the water well system occurred in 2017, causing water consumption of about 850-900 m³; whereas, a significant leak in the hydrants' water

system occurred in September 2018 causing a water consumption of about 567 m³.

Data only include consumption from the Italian production unit, since consumption related to offices in UK, Spain and Russia is considered negligible.

Water consumption			
Source [m ³]	2018	2017	2016
Groundwater	1,531	2,891	1,005
Municipal water supplies	3,528	2,881	3,457
Total	5,059	5,772	4,462

Table 4: Water withdrawal by source [m³], Morris Profumi S.p.A.

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4. Respecting the environment

In 2018, Morris Profumi discharged 3,195 m³ of water. This amount is mainly due to sanitation water usage and only a small portion to production activities. With respect to 2017, there was a 14.4% increase in water discharge value. All volumes of water discharged are treated in an owned and authorized water purification plant before being discharged into public sewers. Previously, the wastewater was discharged directly into a surface water body, but in 2018 the company made a large investment in the construction of a sewage collector to discharge its wastewater. The purifier is constantly monitored and the quality of the wastewater

is tested by a qualified external laboratory (REI Laboratory) on a bi-weekly basis. Perfume Holding's efforts to reduce discharges also include retrofitting sanitation facilities.

In order to improve overall water resource management, water withdrawal is monitored on a monthly basis. If irregular values are detected, the company immediately investigates the cause of the anomaly and intervenes by taking corrective measures. In addition, over the years, the irrigation system has been optimized with the installation of an automated mechanism for water usage minimization.

As concerns water quality in 2016, Morris Profumi built two small wells for water withdrawal to allow the company's internal experts to regularly extract small samples for testing. This was done in order to ensure efficient monitoring of water quality flows and of potential water contamination. All completed tests confirmed a high quality of the groundwater streams that feed the production plant and office headquarters. In addition, as part of programs for the development among employees of environmental awareness, the Group promotes employee education on best practices to reduce water consumption and waste.

4.3 Waste

Perfume Holding implemented a rigorous waste management procedure throughout the entire productive plant aimed at regulating the sorting process according to each waste category. Proper waste sorting and management allows for waste to be effectively treated and recovered and minimizes the portion of waste sent to landfill and incineration.

In 2018, the waste generated at the Group's headquarters in Parma amounted to 203.47 tons,

61.5% of waste generated is sent to recovery plants

showing a 2.46% decrease with respect to 2017. While the repartition among different disposal methods remained virtually constant with respect to the previous year, the amount of waste per ton of product decreased by about 4%. In particular, the amount of waste generated decreased while production slightly increased. This is also thanks to the re-use practices put in place by the company. Re-



turning wooden pallets, paper packaging divisions and partitions to the suppliers for re-use, instead of disposing them, has led to a noticeable reduction of waste from mixed packaging, paper and wood. The total amount of re-used materials in 2018 was 13.81 tons, of which 7.96 tons

from mixed packaging and 5.85 tons from paper and paper-board. In addition,

the weight of the wooden pallets returned to the suppliers is 55.65 tons.

Data only include waste produced by the Italian production unit.

Waste									
Disposal method	2018			2017			2016		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Recovery (energy included)	4.8	120.4	125.1	4.6	120.9	125.5	7.8	144.2	152.0
Incineration	-	41.1	41.1	-	46.0	46.0	-	55.7	55.7
Landfill	-	35.7	35.7	-	36.1	36.1	-	33.8	33.8
Preliminary deposit	1.6	0.0	1.6	1.0	0.01	1.0	1.5	2.4	2.9
Total	6.3	197.1	203.5	5.5	203.1	208.6	9.3	236.1	245.4

Table 5: Waste production by type and disposal method [tons], Morris Profumi S.p.A.

Another initiative put in place aimed at waste production minimization is concerning products that every year, despite their impeccable conditions, remain unsold. Perfume Holding has developed a pro-

cedure to allocate unsold products to retailers that have had high demand for those products. When this is not possible, the products are re-collected at the production plant and donated to charity. Accord-

ing to this initiative, at least 50% of such unsold products were eligible for charities. In 2018, 6.9 tons of waste were avoided as a result of this approach.

4.4 Materials

Table 6 represents the trend, during the last three years, of the raw material volumes used by Morris Profumi. The amount of sourced raw materials is directly proportional to production volumes, indeed, with respect to 2017, there was a 10% increase in materials used amount.

Table 6: materials used by weight [tons]

Materials			
Material*	2018	2017	2016
Alcohol	549.0	462.0	527.0
Essence	105.0	76.0	95.0
Glass	1,256.2	1,190.9	1,457.8
Paper and cardboard	333.7	334.5	386.4
Plastic	238.8	193.1	183.6
Aluminum	3.1	2.2	5.5
Steel	0.9	3.0	3.3
Wood	3.1	3.3	3.7
Total	2,489.8	2,265.0	2,662.3

*2016 and 2017 data (excluding the ones related to alcohol and essence) have been updated as compared to the previous Sustainability Report following more reliable data that have become available.

All data are referred to Morris Profumi S.p.A.

5.1 Human Resources indicators

Total number of employees by employment contract and gender									
Type of employment contract	2018			2017			2016		
	Male	Fe-male	Total	Male	Fe-male	Total	Male	Fe-male	Total
Permanent	25	100	125	35	108	143	37	110	147
Temporary	-	-	-	-	-	-	-	-	-
Total	25	100	125	35	108	143	37	110	147

Table 7: Total number of employees by employment contract and gender.

Total number of employees by employment type and gender									
Full-time/ Part-time	2018			2017			2016		
	Male	Fe-male	Total	Male	Fe-male	Total	Male	Fe-male	Total
Full-time	24	92	116	34	102	136	36	103	139
Part-time	1	8	9	1	6	7	1	7	8
Total	25	100	125	35	108	143	37	110	147

Table 8: Total number of employees by employment type and gender.

Total number of employees by employment category and gender									
Employment category	2018			2017			2016		
	Male	Fe-male	Total	Male	Fe-male	Total	Male	Fe-male	Total
Senior Managers	1	2	3	4	4	8	4	2	6
Middle Managers	7	8	15	6	8	14	8	10	18
White collars	11	37	48	17	41	58	17	43	60
Blue collars	6	53	59	8	55	63	8	55	63
Total	25	100	125	35	108	143	37	110	147

Table 9: Total number of employees by employment category and gender.

Total number of employees by employment category and age group												
Employment category	2018				2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Senior Managers	-	1	2	3	-	3	5	8	-	3	3	6
Middle Managers	-	9	6	15	-	5	9	14	-	9	9	18
White collars	4	26	18	48	3	41	14	58	5	42	13	60
Blue collars	2	35	22	59	3	40	20	63	4	39	20	63
Total	6	71	48	125	6	89	48	143	9	93	45	147

Table 10: Total number of employees by employment category and age group.

Governance bodies' members by gender and age group												
Board Members	2018				2017				2016			
	<30	30-50	>50	Tot	<30	30-50	>50	Tot	<30	30-50	>50	Tot
	M F	M F	M F		M F	M F	M F		M F	M F	M F	
	- -	2 1	2 -	5	- -	2 1	2 -	5	- -	4 1	2 -	7

Table 11: Governance bodies' members by gender and age group.

Number of external workers by employment category and gender									
Employment category	2018			2017			2016		
	Male	Fe-male	Total	Male	Fe-male	Total	Male	Fe-male	Total
Self-employed persons	8	-	8	8	-	8	12	-	12
Workers hired through external agencies	5	7	12	5	7	12	5	9	14
Total	13	7	20	13	7	20	17	9	26

Table 12: Number of external workers by employment category and gender.

Employee hiring and turnover rate by gender									
Rate and percentage	2018			2017			2016		
	Male	Fe-male	Total	Male	Fe-male	Total	Male	Fe-male	Total
Hiring rate	16%	2%	5%	20%	3%	7%	24%	7%	12%
Turnover rate	52%	11%	19%	26%	6%	10%	11%	5%	7%

Table 13: Employee hiring and turnover rate by gender.

Employee hiring and turnover rate by age group												
Rate and percentage	2018				2017				2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Hiring rate	17%	6%	2%	5%	17%	6%	8%	7%	44%	12%	4%	12%
Turnover rate	0	25%	13%	19%	33%	10%	8%	10%	22%	8%	2%	7%

Table 14: Employee hiring and turnover rate by age group.

Average hours of training by employment category and gender												
Average hours	2018				2017				2016			
	Total hours	Men* avg	Women avg	Total avg	Total hours	Men* avg	Women avg	Total avg	Total hours	Men* avg	Women avg	Total avg
Senior Managers	15	4.0	5.5	5.0	18	0.5	4.0	2.3	28	-	4.7	4.7
Middle Managers	105	9.0	5.3	7.0	76	8.7	3.0	5.4	68	8.5	-	3.8
White collars	505.5	12.0	10.1	10.5	280	5.4	4.6	4.8	843	16.0	9.5	14.1
Blue collars	401.5	23.5	4.9	6.8	213	14.3	2.0	3.4	165	4.0	2.1	2.6
Total	1,027	4.0	5.5	5.0	587	7.2	3.1	4.1	1,104	10.1	5.0	7.5

Table 15: Average hours of training by employment category and gender.

5.2 Health and safety indicators

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Health and safety indicators by employees and external workers						
Number and rate*	2018		2017		2016	
	Employees	External workers	Employees	External workers	Employees	External workers
Injuries	2	-	1	1	3	1
Occupational disease rate	0.94	-	-	-	-	-
Work-related fatalities	-	-	-	-	-	-
Absentee days	1,492	-	966	n.a.	741	n.a.
Absentee rate	4.5%	-	2.6%	n.a.	2.1%	n.a.
Injury Rate	1.87	-	0.9	8.4	2.8	3.7
Lost Day Rate	0.10	-	0.02	1.3	0.36	0.6

Table 16: Health and safety indicators by employees and external workers. In 2018 no injuries or occupational diseases were recorded for external workers.

*Data related to injuries do not include commuting injuries, (2 in 2018). The two reported injuries above occurred to women.

Rates calculated as follows:

- Occupational disease rate is calculated as the ratio between the frequency of occupational diseases and the total number of hours worked (including overtime), multiplied by 200,000. For 2018 the occupational disease rate was 3.92 for women, zero for men.
- Absentee rate is calculated as the ratio between the total number of working days lost due to absenteeism (including work-related injuries, commuting injuries, sick days and occupational diseases) and the total days scheduled to be worked. For 2018 the absentee rate was 18.0% for women and 0.6% for men.
- Injury rate is calculated as the ratio between the number of injuries (excluding commuting injuries) leading to an absence of more than one day (excluding the one in which the injury happened) and the total number of hours worked (including overtime), multiplied by 200,000. For 2018 the injury rate was 7.84 for women and zero for men.
- Lost day rate for employees is calculated as the ratio between the number of working lost days (due to injuries - excluding commuting injuries - and occupational diseases) and the total number of hours scheduled to be worked, multiplied by 1,000 (for external workers, the ratio is calculated using the hours worked). For 2018 the lost day rate was 0.47 for women and zero for men.

This 2018 Sustainability Report represents our commitment towards a transparent and structured reporting process, developed by the Group for the benefit of its stakeholders. It supplements the information regarding sustainability disclosed in the 2018 Annual Report, providing details on the Group's sustainability performance and industry trends, and giving proper attention to the expectations of all stakeholders who, either directly or indirectly, are interested in the activities of the Group.

This Report has been prepared in accordance with the GRI Standard: Core option. The breadth and detail with which the issues in the Sustainability Report are covered reflect the materiality analysis carried out according to the methodology described in the paragraph "Approaching sustainability".

Scope of reporting

The Group is commercially known as "Perfume Holding" and for this reason "Perfume Holding" and "the Group" are used interchangeably in this Report, both referring to Morris Profumi Group. The Group's logo has not changed. The

reference "Morris Profumi S.p.A." solely refers to the parent company.

The reported information and data refer to 2018 (from 1 January 2018 to 31 December 2018), unless otherwise noted. Any data referring to previous years is presented for comparative purposes only, so as to allow an assessment of the evolution of the Group's performance over time. Where the data comes from estimates, it is flagged accordingly. The performance indicators are collected on an annual basis and the reporting frequency is annual.

The scope of the reported data differs depending on the topic at stake, as follows:

- The operating and financial data refer to the Group (parent company and subsidiaries consolidated on a line-by-line basis) and are extracted from the Annual Report as at 31 December 2018;
- For human resources information, the reporting scope refers to the Group (parent company and subsidiaries consolidated on a line-by-line basis), with the exception of the data related to training and health and safety in-

dicators, which refer only to Morris Profumi S.p.A. Data included in section 5 "Performance indicators" refer to Morris Profumi S.p.A.;

- For environmental data, the reporting scope refers to Morris Profumi S.p.A., with the exception of the data related to energy and emissions, which refer to the Group (parent company and subsidiaries consolidated on a line-by-line basis).

The Group's headquarters are in Strada Maretto 13, Roncopascolo (Parma). The scope of reporting is consistent with the description reported above with the exception of some data explicitly indicated in the text.

Calculation criteria

Several operating departments of the Group have been actively involved in the process of data gathering and report drafting, in order to shape the Report. The ultimate objectives of the Group are, through the elaboration of the Sustainability Report, to further strengthen the reporting system and to enhance the accuracy and reliability of the information and data provided.

6. Note on Methodology

As for the calculation criteria:

- The Hiring Rate is calculated as the ratio between the number of people entering and the number of employees, by gender and by age group.
- The Turnover Rate is calculated as the ratio between the number of people leaving and the number of employees, by gender and by age group.
- Direct (scope 1) and indirect energy emissions (scope 2) have been calculated as follows:
 - For emissions caused by the use of natural gas, the emissions factor used was taken from the table of national standard parameters (valid for the calculation of emissions from January 1st to December 31st of the corresponding year) published by the Italian Ministry for the Environment and Protection of the Territory and the Sea;
 - For indirect emissions from the consumption of electricity there are two different methodologies: location based and market based. The location based methodology considers the consumption of electricity

purchased from the national electricity grid and the emissions factor was taken from Terna's international comparisons on Enerdata data - 2016 data. The Market Based methodology takes into account the RECS certificates (Renewable Energy Certificate System) purchased by the Group, which certify the eventual supply by the company of electricity from renewable sources that do not involve emissions. If the organization does not completely cover its electricity needs with these certificates, for the remaining part, an emissions factor associated with the production of energy from thermal power plants can be used.

Please note that the numbers in tables and graphics are sometimes rounded, so that totals reported could not match exactly with the breakdowns.

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6.1 Explanation of the material topics and its boundaries and correlation with the GRI Standards

The following table presents the correlation between the material topics for the Group and GRI Standard aspects and the explanation of the material topics and their boundaries.

#	Material Topic	GRI Standard Aspect	Explanation	Boundary	
				Where the impact occurs	Perfume Holding's involvement
1	Product quality and safety	Customer health and safety	Creating and selling high quality, long-lasting, safe and sustainable products	Perfume Holding; Suppliers	Direct; Indirect contribution
2	Business ethics	Anti corruption	Promotion of good Corporate Governance, inspired by the highest standards related to ethics, integrity and compliance to laws and regulations	Perfume Holding; Suppliers	Direct; Indirect contribution
3	Human rights	Human rights assessment	Respect, promotion and protection of human rights	Perfume Holding; Suppliers	Direct; Indirect contribution
4	Governance and risks	n.a.	Implementation of a structured system that allows to identify, evaluate and manage risks from an economic, social and environmental point of view	Perfume Holding	Direct contribution
5	Community involvement	Local communities	Involvement and support of local communities through activities and initiatives	Perfume Holding	Direct contribution
6	Health and safety	Occupational health and safety	Complying with laws and regulations concerning security, prevention, hygiene and health in the workplace	Perfume Holding	Direct contribution
7	Customer satisfaction and privacy	Customer privacy	Management of customer privacy and ability to build customer relationships that are long-lasting and based on trust	Perfume Holding; Distributors and franchising	Direct; Indirect contribution
8	Diversity and equal opportunity	Diversity and equal opportunity	Promotion of gender and non-gender diversity through non-discrimination policies and practices	Perfume Holding	Direct contribution
9	Effluents and waste	Effluents and waste	Promotion of an efficient waste management policy	Perfume Holding	Direct contribution

6. Note on Methodology

10	Water	Water	Promotion of sustainable water management	Perfume Holding	Direct contribution
11	Energy and emissions	Energy; Emissions	Promotion of energy efficiency policies and contribution to climate change mitigation and adaptation	Perfume Holding	Direct; Indirect contribution
12	Economic performance	Economic performance	Creation and distribution of economic value	Perfume Holding	Direct contribution
13	Responsible purchasing	Supplier environmental assessment; Supplier social assessment	Selecting suppliers, co-laborators and business partners in accordance with their environmental and social performance and through fair and transparent processes	Perfume Holding	Direct contribution
14	Stakeholder engagement	n.a.	Involvement of key stakeholders in decision-making processes	Perfume Holding	Direct contribution
15	Materials and packaging	Materials	Use of safe and sustainable materials, including responsible packaging	Perfume Holding; Suppliers	Direct; Indirect contribution
16	Research and development	n.a.	Research and development activities in order to improve product quality	Perfume Holding; Schools and Universities	Direct; Indirect contribution
17	Market presence	n.a.	Presence of the organization at the national and international level	Perfume Holding	Direct contribution
18	Marketing and product labelling	Marketing and labelling	Providing accessible and adequate information on the composition and impacts of products	Perfume Holding	Direct contribution
19	Human capital	Training and education	Offering training and development programs to strengthen employee skills	Perfume Holding	Direct contribution
20	Animal welfare	n.a.	Promotion and safeguarding of animal welfare	Perfume Holding	Direct contribution
21	Logistics	n.a.	Attention to the environmental impact of logistics through the selection of suppliers and the designing of distribution channels	Perfume Holding; Suppliers	Direct; Indirect contribution

6.2 Correlation between UN Global Compact and GRI Standards

The following table presents the correlation between the 10 principles of the UN Global Compact and the GRI Disclosures covered in this Report, which represents a *Communication on Progress (COP)*, i.e. a document that communicates to Perfume Holding's stakeholders its progress in applying the 10 Principles to its core business.

Category	UN Global Compact Principle	GRI Standard Disclosure
Human Right	Businesses should support and respect the protection of internationally proclaimed human rights	412-1, 103-2, 103-3
	Businesses should make sure they are not complicit in human right abuses	414-2
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	102-41, 402-1
	Businesses should uphold the elimination of all forms of forced and compulsory labor	414-2
	Businesses should uphold the effective abolition of child labor	414-2
	Businesses should uphold the elimination of discrimination in respect of employment and occupation	102-8, 401-1, 405-1, 406-1
Environment	Businesses should support a precautionary approach to environmental challenges	302-1, 303-1, 305-1, 305-2
	Businesses should undertake initiatives to promote greater environmental responsibility	302-1, 303-1, 305-1, 305-2, 306-1, 306-2, 301-1, 307-1, 308-2, 103-2
	Businesses should encourage the development and the fusion of environmentally friendly technologies	n.a.
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery	102-16, 205-3

6.3 GRI Standards – Content Index

The following table presents the GRI Disclosures covered by this Report according to the option “In Accordance-core”, as prescribed by the GRI Standards. For each Disclosure, a brief description is provided and the paragraph of the 2018 Sustainability Report in which the information can be found. A specific comment is provided for Disclosures that have not been covered, or have only been partially covered.

Disclosure	Description	Paragraph/Notes
GENERAL STANDARD DISCLOSURES		
Organizational profile		
GRI 102-1	Name of the organization	6 (Note on Methodology)
GRI 102-2	Activities, brands, products, and services	1.3
GRI 102-3	Location of headquarters	6 (Note on Methodology); 1.3
GRI 102-4	Location of operations	1.3
GRI 102-5	Ownership and legal form	1.3
GRI 102-6	Markets served	1.3
GRI 102-7	Scale of the organization	1.1; 3.1
GRI 102-8	Information on employees and other workers	3.1; 5
GRI 102-9	Supply chain	2.1
GRI 102-10	Significant changes to the organization and its supply chain	6 (Note on Methodology)
GRI 102-11	Precautionary Principle or approach	1.3.1
GRI 102-12	External initiatives	1.2; 6.2 (Note on Methodology)
GRI 102-13	Membership of associations	1.2; 6.2 (Note on Methodology)
Strategy		
GRI 102-14	Statement from senior decision-maker	Chairman Letter
GRI 102-15	Key impacts, risks and opportunities	1.3.1; 3.1.2; 2.1; 2.2; 2.5; 4.1
Ethics and integrity		
GRI 102-16	Values, principles, standards, and norms of behavior	1.3.1
Governance		
GRI 102-18	Governance structure	1.3.1
Stakeholder engagement		
GRI 102-40	List of stakeholder groups	1.2
GRI 102-41	Collective bargaining agreements	3.1
GRI 102-42	Identifying and selecting stakeholders	1.2
GRI 102-43	Approach to stakeholder engagement	1.2
GRI 102-44	Key topics and concerns raised	1.2
Reporting practice		
GRI 102-45	Entities included in the consolidated financial statements	6 (Note on Methodology)
GRI 102-46	Defining report content and topic Boundaries	1.2; 6 (Note on Methodology)

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6. Note on Methodology

Disclosure	Description	Paragraph/Notes
GRI 102-47	List of material topics	1.2; 6 (Note on Methodology)
GRI 102-48	Restatements of information	6 (Note on Methodology)
GRI 102-49	Changes in reporting	6 (Note on Methodology)
GRI 102-50	Reporting period	6 (Note on Methodology)
GRI 102-51	Date of most recent report	6 (Note on Methodology)
GRI 102-52	Reporting cycle	6 (Note on Methodology)
GRI 102-53	Contact point for questions regarding the report	6 (Note on Methodology)
GRI 102-54	Claims of reporting in accordance with the GRI Standards	6 (Note on Methodology)
GRI 102-55	GRI content index	6.3
GRI 102-56	External assurance	This report has not been externally assured.
TOPIC SPECIFIC STANDARDS		
ECONOMIC		
Material aspect - Economic performance		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.3
GRI 201-1	Direct economic value generated and distributed	3.3
Material aspect - Anti-corruption		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	1.3.1
GRI 205-3	Confirmed incidents of corruption and actions taken	1.3.1
ENVIRONMENTAL		
Material aspect – Materials		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.4
GRI 301-1	Materials used by weight or volume	4.4 The Group is committed to extending the reporting on data on materials used
Material aspect - Energy		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.1
GRI 302-1	Energy consumption within the organization	4.1
Material aspect – Water		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.2
GRI 303-1	Water withdrawal by source	4.2
Material aspect – Emissions		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.1

Disclosure	Description	Paragraph/Notes
GRI 305-1	Direct (Scope 1) GHG emissions	4.1; 6 (Note on Methodology)
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4.1; 6 (Note on Methodology)
Material aspect – Effluents and waste		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.2
GRI 306-1	Water discharge by quality and destination	4.2
GRI 306-2	Waste by type and disposal method	4.3
Aspect – Environmental compliance		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4
GRI 307-1	Non-compliance with environmental laws and regulations	4
Material aspect – Supplier environmental assessment		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.2
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	2.2
SOCIAL		
Aspect – Employment		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1
GRI 401-1	New employee hires and employee turnover	3.1; 5
Aspect – Labor/management relations		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1
GRI 402-1	Minimum notice periods regarding operational changes	3.1
Material aspect – Occupational Health and Safety		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1.2
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities	3.1.2; 5
Material aspect – Training and education		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1.1
GRI 404-1	Average hours of training per year per employee	3.1.1; 5
Material aspect – Diversity and equal opportunities		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1
GRI 405-1	Diversity of governance bodies and employees	3.1; 1.3.1; 5
Aspect – Non-discrimination		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	1.3.1
GRI 406-1	Incidents of discrimination and corrective actions taken	1.3.1

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6. Note on Methodology

Disclosure	Description	Paragraph/Notes
Material aspect – Human rights assessment		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	1.3.1
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	1.3.1
Material aspect – Local communities		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.2
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	3.2; 3.3
Aspect – Supplier social assessment		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.2
GRI 414-2	Negative social impacts in the supply chain and actions taken	2.2
Material aspect – Customer health and safety		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.5
GRI 416-1	Assessment of the health and safety impacts of product and service categories	2.5
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	2.5
Material aspect – Customer privacy		
GRI 103-1; 103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.6
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.6
Material aspect – Marketing and labeling		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.4
GRI 417-1	Requirements of product and service information and labeling	2.4
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	No incident of non-compliance leading to a fine or penalty has been reported
GRI 417-3	Incidents of non-compliance concerning marketing communications	No incident of non-compliance leading to a fine or penalty has been reported
OTHERS MATERIAL ASPECTS		
Material aspect – Animal welfare		
GRI 103-1; 103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.3
Material aspect – Research and Development		
GRI 103-1; 103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.3