

INTERCOS GROUP

Global Cosmetic Manufacturer

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

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Intercos S.p.A.

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Milan - Piazza Generale Armando Diaz 1

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Premise

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

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






The Intercos Group, as a large public interest company, is subject to the aforementioned Decree for the 2017 reporting year. This NFI was prepared to fulfill this legal requirements and to assess the Company’s non-financial performance in 2017.

Reading guide

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

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

Each chapter includes the following information, distinguished by a specific color code:

-  a brief description of the relevance of the **non-financial topics disclosed**, following the performance of a relevance analysis described in the *Methodological note*;
-  for each relevant topic, a brief description of the main risks (reputational, operational, related to the company's legislative compliance), in terms of impacts on, and generated by, the company, which derive from its activities, products, services, and commercial relationships, including along its supply chain;
-  a brief description of the **policies** adopted by the company in relations to each of the five areas;
-  a description of the **governance** model adopted by Intercos in relations to each relevant topic;
-  a description of the **key performance indicators** that are relevant to ensure a complete understanding of the results derived from the implementation of the policies and governance models adopted.

Intercos: We Make Beauty. Better.

The Group Today – General Information

The Intercos Group, born in 1972 from the passion and ambition of its founder Dario Ferrari, is today one of the leading business to business ("B2B") operators for the ideation, production and marketing of cosmetic and skin-care products at the global level, in partnership with the main national and international brands and retailers active in the cosmetics and skincare sectors.

For over 40 years, Intercos has been interpreting beauty by designing and creating cosmetic products and positioning itself as a trendsetter able to predict, anticipate and influence make-up trends.

The Group's mission is to maintain and consolidate its role as a strategic partner to the main players in the cosmetics market by being a fashion trendsetter and offering an innovative and creative approach. Thanks to its continuous search for innovation in the selection and ideation of raw materials, the creation of products' formulas, and the development of new technologies and packaging, Intercos is able to renew itself and to design and supply innovative products, determining its role as a strategic partner and full outsourcer. Intercos owes its success to a number of peculiar strength points, namely:

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

Research and Innovation are an essential component of Intercos' business model, as well as an area in which the Group invests considerable resources. It is indeed thanks to the intense activities in Research and Development that the Group succeeds in continuously improving and expanding its product portfolio and making the entire production process more efficient. The deep knowledge of consumers, in addition to products, allows Intercos to qualify as a trendsetter in the world of beauty, to create and offer its customers innovative products that to anticipate trends and become immediately trendy.

A structured and efficient global production platform

Its global production platform allows Intercos to organize production efficiently, to respond to peaks in demand and leverage economies of scale, as well to consolidate its presence in emerging markets. The geographical proximity to its customers also allows Intercos to capture and rapidly respond to their needs.

The required managerial skills and the costs needed to manage the complexities of a production platform such as that of the Intercos Group constitute a barrier to entry for both global and local competitors wishing to grow within the beauty outsourcing market. These complexities also derive from the breadth of Intercos' product portfolio, based on a variety of different technologies and production processes.

Positioning as an industry leader in the reference market

Intercos holds a leading position in the "B2B" segment of the beauty market, highlighting the Group's ability to present itself as a strategic partner to its customers. Intercos is indeed able to operate as a full outsourcer and manage internally the entire value chain, from trend scouting to research, from the selection of suppliers to the production and marketing of its products.

Moreover, the constant focus on innovation, supported by Intercos' deep knowledge of the market and distribution channels, allows the Group to adapt to the changing needs of consumers, thus anticipating and actively influencing trends.

Intercos holds the intellectual property of most of the formulas / products and production processes, which in some cases can be hardly replicated by customers or competitors. Consequently, Intercos is able to retain its customers and consolidate its commercial relationships, lasting sometimes over twenty years, with most of the major operators of the cosmetic industry.

Favorable market dynamics

The make-up market, according to estimates by Euromonitor International, stands at around USD 60 billion (retail value), showing a growth rate of 6.7% compared to 6.6% last year. In relation to the different geographical areas, Western Europe continues to grow, marking an increase of 4.7% compared to 3.9% in 2016.

In North America, the market recorded a recovery, growing by 7.1% compared to 2.3% in the previous year. The Asian market (excluding Japan) grew by 9.6% compared to 2016. In particular, China grew by 11.6% in a market worth USD 4.8 billion. In North America, the market grew by 6.3% in line with the global growth trend. Emerging markets show a positive trend (+ 10.8%); Brazil in particular registers a new increase of 9.4% compared to 2016.

The degree of innovation that is continuously required, as well as the high complexity of the production processes, contribute to the increasing outsourcing of production and the growth of the B2B segment compared to the reference market.

The strategic position of Intercos as a world leader in the cosmetics sector was strengthened in 2017 thanks to the acquisition of Cosmint Group, active for over 20 years in the B2B cosmetic sector and leader in the production of skin care, hair and body care products. This acquisition has contributed to creating one of the largest B2B groups in the beauty world. The production excellence of Cosmint Group, its in-depth knowledge of the reference market and state-of-the-art plants in Italy and Poland allowed Intercos to grow significantly in terms of organizational and production capacity, meeting customers needs in almost all beauty sector categories, thanks to Cosmint's presence in his family.

BOX: INDUSTRY SECTOR DESCRIPTION

Within the beauty industry, Intercos is active in the following sectors: decorative cosmetics (make up or color cosmetics), skin care products and recently, with the acquisition of Cosmint Group, perfumes and hair and body care products. Intercos operates in a highly competitive market, characterized by the need to constantly innovate in order to meet consumers' requests, which are increasingly sophisticated in terms of both quality and safety of the product and in terms of sustainability.

Make-up products are characterized by a short life cycle, due to the high innovation component that distinguishes them and their close interrelation with the fashion world. They include:

- Powders: dry facial powders (foundations, blushes, bronzers and illuminating powders), dry eye powders (eyeshadows) and wet powders, including baked powders (i.e. powders cooked through a baking process in special terracotta terrines) and gel powders (i.e. powders that become soft to the touch thanks to their gel content, patented by the Intercos Group with the name of "prisma shine"), and finally *baked injections* (i.e. fluid powders injected into the pads and dried through an automated production cycle to facilitate the creation of multicolour pallets);
- Foundations and face products such as emulsions or gels, in the form of sticks, fluids or pencils (chubby), for example foundations, correctors, illuminants, bronzers, blushes and primers. This category includes creams that can be used for both decorative and treatment purposes, the so-called BB creams (beauty balm or balsam), CC creams (color corrector or colored creams) and DD creams (daily defence or anti-smog or screen-creams);
- Lip products, i.e. lipsticks, primers, lip gloss, pencils, and other lip products for decorative and/or beneficial use such as hydration and antioxidant effects;
- delivery systems such as pencils (in wood or **plastic, to be tempered or mechanical**) **for eyes and eyebrows, kajal, fluid eyeliners and mascara**, for which the packaging system is essential for the correct application and performance of the product and therefore the need for innovation lies not only in the formula but also in the ideation and designing of the packaging;
- nail products: colored glazes (lacquered, opaque, pearly or glittered), transparent nail polish, curative products (reinforcing and smoothing polish, polish with active ingredients, cuticle products, etc.) and finally the solvents for nail polish removal.

As for the skin care segment, skin care products are mainly divided into:

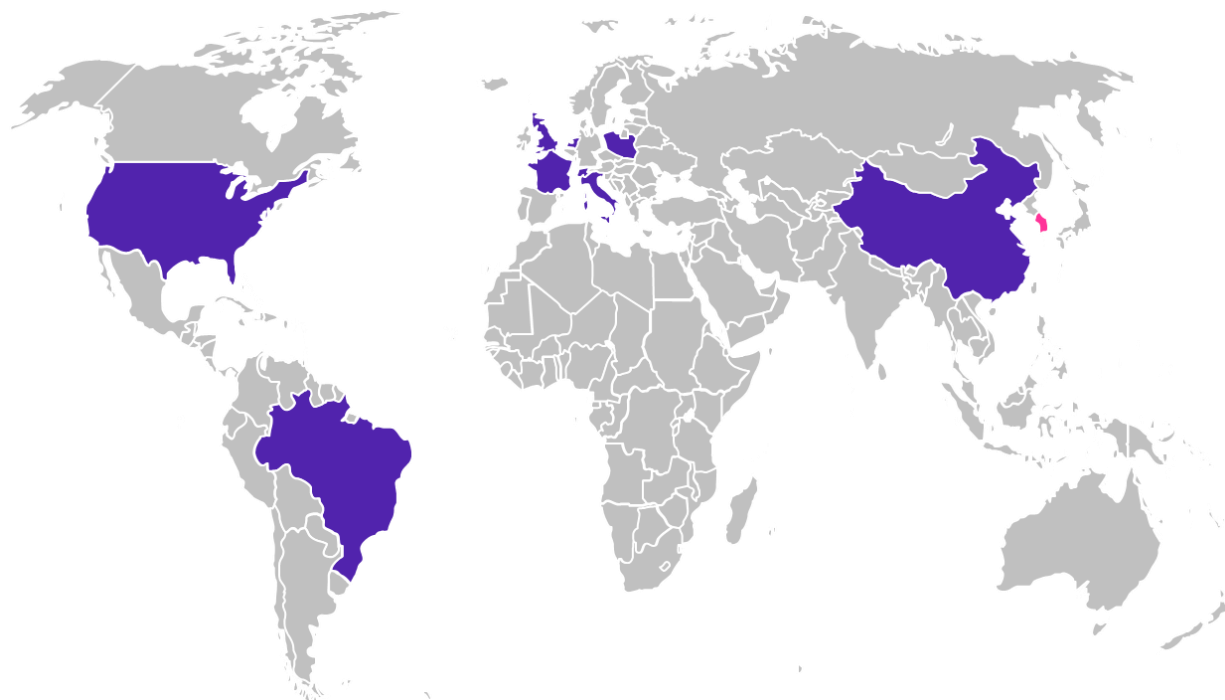
- emulsions, in particular oil / water emulsions, characterized by hydrodispersibility, easy extensibility and rapid absorption, such as protective day creams, moisturizers, emollients, and cleansing creams, depilatory creams and sunscreens; water / oil emulsions, characterized by water repellency and the formation on the skin of a lipid film such as night creams, anti-wrinkle and nourishing cream masks, foundations and creams for children.
- oils, i.e. anhydrous products containing active ingredients and antioxidant fragrances in an oily vehicle such as baby oils, sun oils, massage oils and treatment oils.
- aqueous fluids: tonics, micellar waters, spray deodorants or hair fixers.

- gels: aqueous (serums, masks, hair fixers), anhydrous (for sun protection) and above all foaming agents, meaning products for skin hygiene performing a cleaning and foaming action.

The products produced by Cosmint Group include: shampoos, gels, shower gels, body lotions, face and hand creams, aftershaves, toothpastes and soaps.

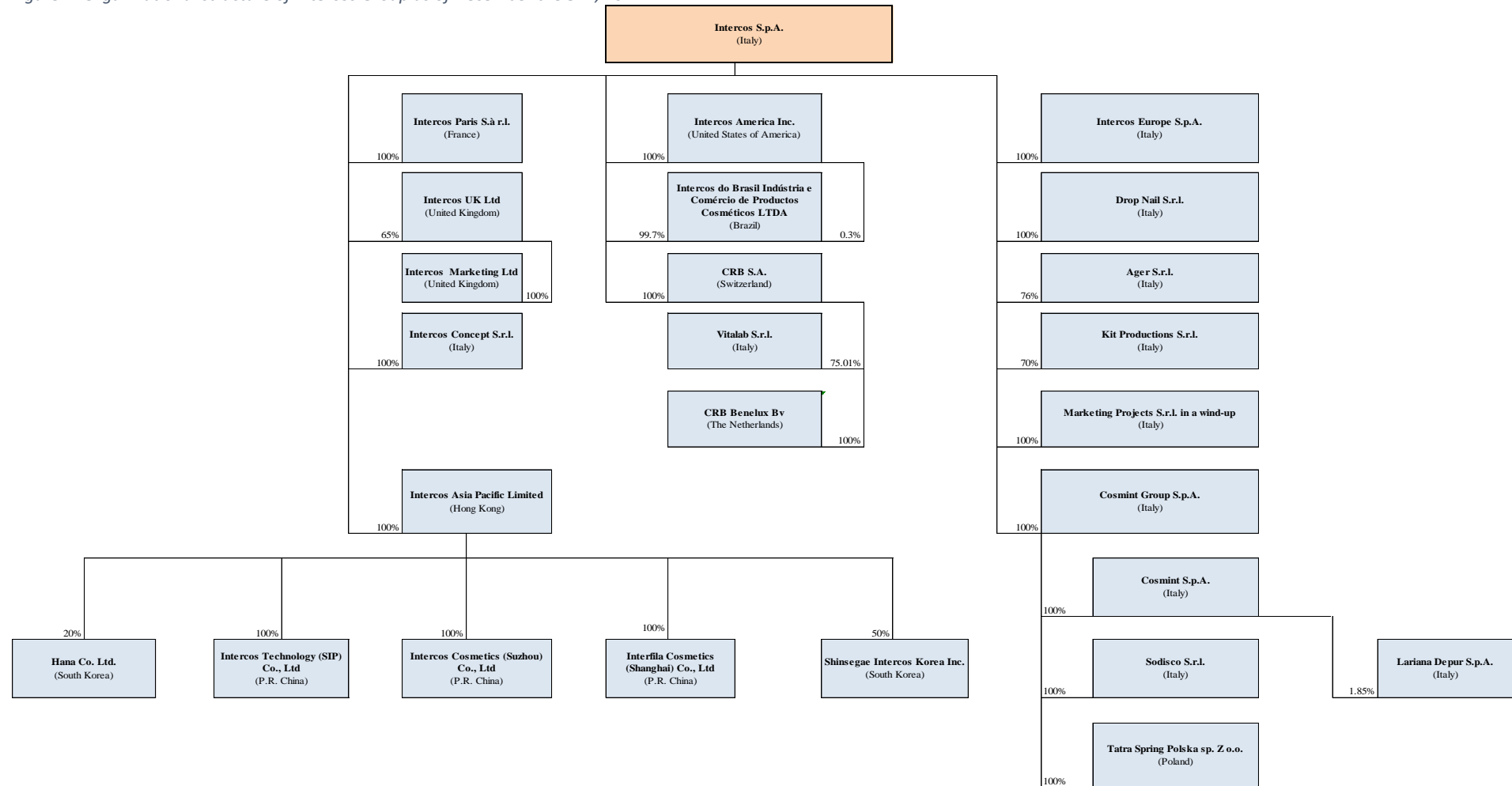
The Group's success is based on its ability to cover all the geographical areas that have the greatest potential for development and to be innovative in all stages of the production process: from the research and testing of raw materials to the formulation and development of finished products; from the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

As of December the 31st, 2017, the Intercos Group is present in Europe, North and South America and in Asia with 14 production plants in Italy, France, Switzerland, Poland, China, the United States and Brazil, as well as commercial offices and research and development centers all over the world.



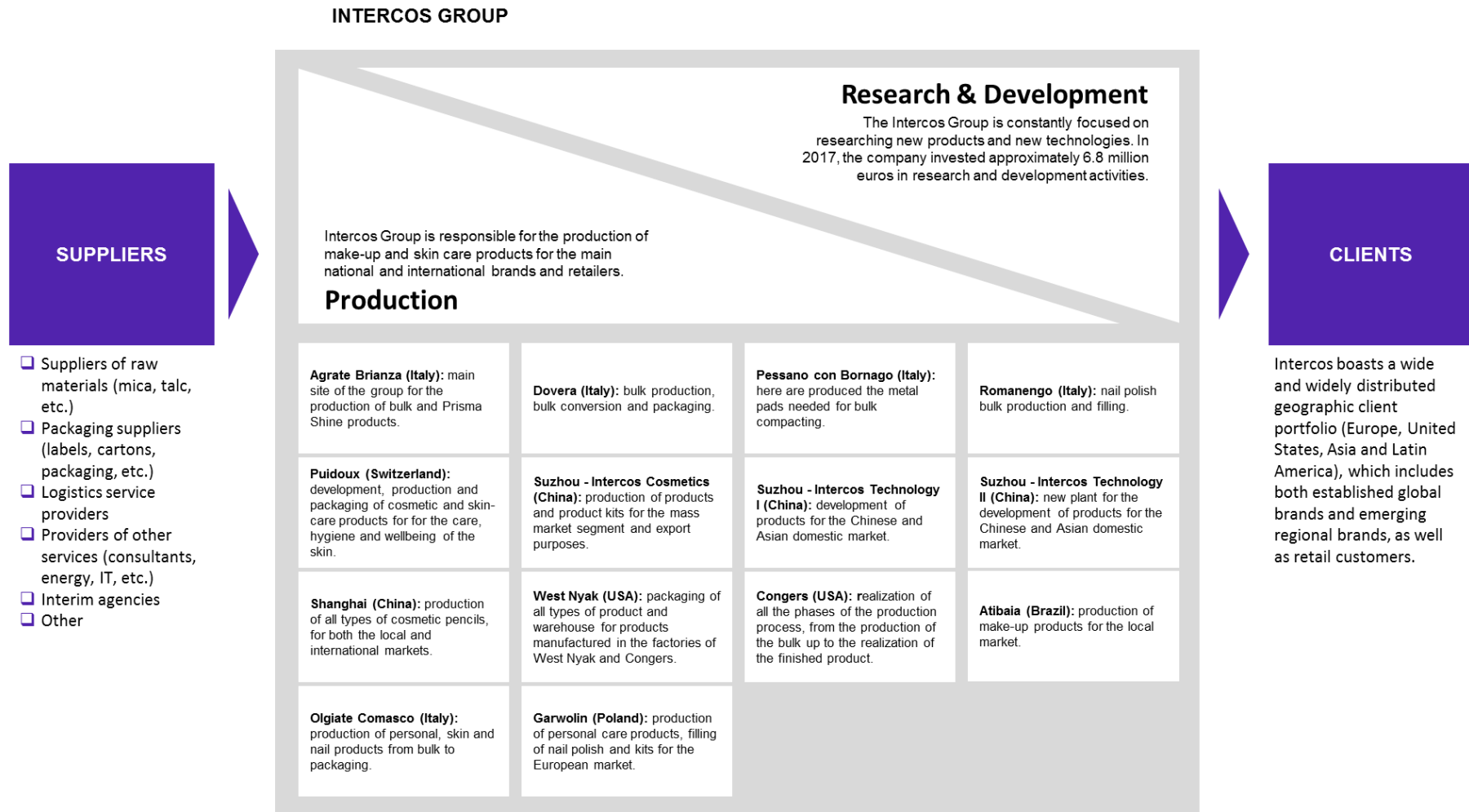
From an organizational point of view, the Group consists of 25 companies, as shown in Figure 1, directly or indirectly controlled by the Parent Company Intercos S.p.A., headquartered in Italy. For reporting purposes, the scope of consolidation of the present non-financial disclosure coincides with that applied to financial disclosures according to the line-by-line consolidation method, therefore the joint companies in South Korea (Shinsegae Intercos Korea Inc. and Hana Co. Ltd.) are excluded, as highlighted on the map, and are consolidated using the equity method.

Figure 1: Organizational structure of Intercos Group as of December the 31st, 2017



This Consolidated Disclosure of non financial information has been translated into English solely for the convenience of the international reader. In case of discrepancies, the Italian language document is the sole authoritative and universally valid version.

In order to facilitate the understanding of the information contained in the following chapters, a simplified representation of Intercos Group's value chains is illustrated below:



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For what concerns the workforce composition, by the end of 2017 Intercos Group counted 3,447 employees (Table 1) characterized by a significant share of women (about 62% of total employees), concentrated mainly in Italy (40%) and in China (39%) and to a lesser extent in the other Countries where the company operates (United States, Switzerland, France, United Kingdom, Poland and Brazil). In 2017, the total number of employees increased by 700 units, also because of the acquisition of Cosmint Group, which counted 395 employees in 2017. All Group's employees are covered by collective bargaining agreements, with the exception of Intercos America where employees are covered by individual bargaining agreements and of Tatra Spring Polska, where the employees covered by collective bargaining agreements represent 97% of the total workforce. Almost all employees have permanent contracts (97%) and full-time contracts (about 99%). Furthermore, during the year, the company employed an average of 2,472 temporary workers, interns and external consultants.

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

Type of contract	Italy		Rest of Europe		USA		Brazil		China		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Permanent	993	1,323	127	190	422	394	120	107	1,067	1,337	2,729	3,351
Temporary	16	47	2	49	0	0	0	0	0	0	18	96
Total employees	1,009	1,370	129	239	422	394	120	107	1,067	1,337	2,747	3,447

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

Type of contract	men		women	
	2016	2017	2016	2017
Permanent	993	1,256	1,736	2,095
Temporary	8	40	10	56
Total employees	1,001	1,296	1,746	2,151

Table 3: GRI 102-8 (c): number of employees by type of contract (full-time and part-time) and by gender

Type of contract	Total		Of which men		Of which women	
	2016	2017	2017	2017	2016	2017
Full-time	2,712	3,403	998	1,293	1,714	2,110
Part-time	35	44	3	3	32	41
Total employees	2,747	3,447	1,001	1,296	1,746	2,151

Corporate governance

The collective bodies that form the governance system of Intercos Group are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Assembly. Furthermore, the Supervisory Body oversees and controls the governance system of Intercos Group.

The Board of Directors holds the widest powers for the management of the Company and has the function of defining the Group's objectives and strategic guidelines and of carrying out all the actions considered appropriate for the implementation and achievement of the Company's objectives, excluding only those reserved by law to the Shareholders' Assembly. At the end of 2017, the Board of Directors is composed of 11 directors, of which 8 men and 3 women. The Directors remain in office for 3 financial years and may be re-elected. Further details are illustrated in the table below.

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

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

The Board of Statutory Auditors is composed of three standing statutory auditors and two deputy auditors appointed by the Shareholders' Assembly to monitor compliance with the law and the Company bylaws with the support of an independent auditing company. Statutory auditors remain in office for 3 financial years and may be re-elected. Further details are illustrated in the table below.

Table 5: GRI 102-18 (a) e 405-1 (a): Composition of the Board of Statutory Auditors

Name and last name	Position	Gender
Nicola Pietro Lorenzo Broggi	President	M
Maria Maddalena Gnudi	Standing statutory auditor	F
Matteo Tamburini	Standing statutory auditor	M
Francesco Molinari	Deputy auditor	M
Simone Alessandro Marchiò	Deputy auditor	M

The Shareholders' Assembly represents the universality of the Shareholders and their resolutions, taken in compliance with the law and company by-laws. The ordinary Shareholders' Assembly must be called by the Board of Directors at least once a year, within 120 days from the end of the financial year or 180 days in the cases permitted by law.

The Supervisory Body oversees the observance, effectiveness, implementation and updating, if necessary, of the Organizational Model pursuant to Legislative Decree 231/2001, in order to prevent the commission of the offenses referred to in the Decree. For the performance of the tasks assigned, the Supervisory Body is

invested with all the powers of initiative and control over all company activities and personnel levels, and reports exclusively to the Board of Directors, to which it reports through its President. The Supervisory Body composition is illustrated in the following table.

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

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

BOX: THE CODE OF ETHICS AND CODE OF CONDUCT

The key values of the Intercos Group are listed in its Code of Ethics: innovation and imagination, ambition, passion, flexibility and speed, beauty and the centrality of the customer. With the adoption of the Code of Ethics, the Group commits itself to anticipating the future trends in beauty through continuous research and the encouragement of creativity, initiative and originality; to exceed customer expectations and, finally, to act responsibly, proactively and always driven by enthusiasm, all by looking at the customers and their needs as a priority.

The Code of Ethics also includes the three fundamental ethical values of the Group, namely respect, integrity and transparency, which are the basis for the Group's relations with all stakeholders: customers, employees, investors, suppliers, the community, the public administration and finally the environment.

Finally, the Company makes explicit in the Code of Ethics the values and specific responsibilities that guide it in relations with each stakeholder group, thus ensuring a common vision and approach and high standards of responsible behavior by the whole Group.

The Code of Conduct clearly expresses the Vision and Mission of Intercos Group: "To be a world leader in the color cosmetic market and to offer our customers innovative products that no one else can think or create" and "Helping to satisfy the desire for beauty that exists in every human being ". The Code of Conduct, which constitutes an integral part of the Organization Model (pursuant to Legislative Decree 231/2001) adopted by the Parent Company, is intended to guide Intercos employees and collaborators in their relations with stakeholders , in their exercise of corporate values and principles and in pursuing the commitments contained in the Code of Ethics. In fact, the Code of Conduct sets out in detail the values and responsibilities that guide the Group in its relations with customers, its own people, suppliers, towards the environment and, in general, with those who share a legitimate interest in the Company (competitors, shareholders, the finance administration, the public administration, trade unions and the community), in all phases of their work. For example, for what concerns the company's responsibilities towards its personnel, the Code of Conduct sets out the norms of conduct to be adopted during selection processes, the establishment of the work contract, the management of personnel issues including health and safety. The knowledge and observance of the Code of Conduct by all Group employees are decisive factors for ensuring innovation, competitiveness, the ability to anticipate market developments, quality and value creation.

1 Valuing our People

Intercos Group places the utmost attention on the development of its employees and in the attraction of new talents, as these represent a fundamental resource for its business success, allowing it to innovate and adapt to customer needs. Intercos also promotes diversity (in particular, but not only, gender diversity) and values female talents, aiming at a sustainable and inclusive business growth. For what concerns the issues related to employees' health and safety, they are addressed in the chapter "The protection of human and workers' rights."

The main potential risks associated to Intercos' employee matters derive from the Company's difficulty in attracting qualified resources. In fact, because of its B2B business model, Intercos cannot leverage the visibility of its brand, which, as it is not directly exposed to the end customer and potential collaborators, might be considered not too attractive.

The relevance attributed to development of Intercos' employees and promotion of diversity is explicitly mentioned in the **Code of Ethics** and **Code of Conduct**, which are valid at the Group level. Through these documents, Intercos underlines the value of human capital and shows the Company's commitments to guaranteeing that all its employees are provided with adequate information and training tools to cultivate their specific competences and are offered opportunities for professional growth, as well as a collaborative work environment, guaranteeing equal opportunities.

The Group also practices personnel management procedures that are translated into formalized tools for the regulation of the external recruitment and internal mobility processes, in accordance with the company principles of equality opportunities and anti-discrimination.

Our talents are a resource

The management of the aspects linked to talents' attraction development are delegated to a central Human Resources function, reporting directly to the CEO, which, in collaboration with the individual local units, ensures the correct application of company policies and manages the recruitment, training and career development activities at the Group level.

The selection and internal mobility processes

The selection and recruitment processes are managed, according to the specific current needs, by the individual local units with the support, where necessary, of the Company's relevant functions or the Corporate Human Resources division. Furthermore, as a demonstration of the Group's commitment to contribute to the professional growth of its resources, Intercos promotes, where possible, internal mobility opportunities before considering the recourse to external recruitment processes.

In order to attract qualified resources and increase the visibility of its brand, Intercos collaborates with schools, organizes specialized courses and promotes employer-branding policies to bring young people and professionals closer to the cosmetics sector and the Group.

Employee training

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

Professional development and skills improvement programs continue following the insertion phase. The Human Resources division carries out every year a planning of the training activities that aim to enhance, develop and retain talents within the Group. This activity is undertaken in collaboration with the managers of the various company departments who have the task of identifying the training needs and objectives for all employees, depending on their area of expertise.

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

Performance evaluation

Also with a view to developing their competencies and professionalism, most employees receive a formal performance evaluation with the aim of identifying improvement areas and / or evaluating, with the support of their manager, opportunities for horizontal (cross-functional) or vertical career growth. This process is managed centrally, through a specific IT system, but implemented by the various subsidiaries of the Group through local practices or procedures.

The following tables (Table 7; Table 8) report data on the total number and rate of new employee hires and turnover in 2017, broken down by geographical area, gender and age group. The highest hire rate was recorded in China (30.6%), followed by the rest of Europe (27.6%) and the United States (15.5%), while the highest turnover rate was registered in the United States (22.6%), followed by Brazil (21.5%) and the rest of Europe (16.7%).

Table 7: GRI 401-1 (a): Total number and rate of new employee hires by age group, gender and region

Gender	Age group	Italy		Rest of Europe		USA		Brazil		China	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
men	< 30 years	20	17	2	6	36	8	4	2	69	99
	30 ≤ x ≤ 50	50	33	3	12	48	12	5	1	44	54
	> 50 years	18	8	1	2	18	0	1	0	1	0
	Total (n.)	88	58	6	20	102	20	10	3	114	153
	Total (%)	22.9%	10.6%	13.0%	26.0%	50.7%	11.1%	34.5%	14.3%	33.0%	33.0%
women	< 30 years	37	39	11	29	48	18	23	6	104	189
	30 ≤ x ≤ 50	45	55	6	16	49	19	35	1	75	67
	> 50 years	8	4	1	1	10	4	0	0	0	0
	Total (n.)	90	98	18	46	107	41	58	7	179	256
	Total (%)	14.4%	12.1%	21.7%	28.4%	48.4%	19.2%	63.7%	8.1%	24.8%	29.3%
Total (%)		17.6%	11.5%	18.6%	27.6%	49.5%	15.5%	56.7%	9.3%	27.5%	30.6%

Table 8: GRI 401-1 (b): Total number and rate of employee turnover by age group, gender and region

Gender	Age group	Italy		Rest of Europe		USA		Brazil		China	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
men	< 30 years	5	9	0	5	8	11	1	4	101	12
	30 ≤ x ≤ 50	14	21	4	9	18	19	4	11	56	28
	> 50 years	8	9	0	1	6	5	1	1	0	1
	Total (n.)	27	39	4	15	32	35	6	16	157	41
	Total (%)	7.0%	7.1%	8.7%	19.5%	15.9%	19.4%	20.7%	76.2%	45.4%	8.9%
women	< 30 years	3	8	9	8	7	13	4	2	136	77
	30 ≤ x ≤ 50	34	29	5	13	26	35	9	5	73	21
	> 50 years	6	6	3	4	7	6	0	0	2	0
	Total (n.)	43	43	17	25	40	54	13	7	211	98
	Total (%)	6.9%	5.3%	20.5%	15.4%	18.1%	25.2%	14.3%	8.1%	29.2%	11.2%
Total (%)		6.9%	6.0%	16.3%	16.7%	17.1%	22.6%	15.8%	21.5%	34.5%	10.4%

For what concerns the information related to employee training and development, the tables below show the average hours of training by region, gender and employee category, as well as the percentage of employees who received a performance evaluation during the years 2016 and 2017.

In 2017, approximately 85,226 hours of training were provided (24.8 hours of training per employee), mainly concentrated on strengthening their technical and professional/soft skills, on health and safety and on linguistic competencies. The training activities significantly involved employees in Italy and Brazil, where on average 49.6 and 23.4 hours of training per capita were provided (Table 9, Table 10, Table 11).

Table 9: Training hours by subject

Subject	Italy		Rest of Europe		USA		Brazil		China		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
HSE	12,000	17,724	0	99	604	2,790	161	102	1,262	1,830	14,027	22,545
Languages	6,020	8,261	366	198	0	0	0	0	0	0	6,386	8,459
Human Rights	2,340	3,425	0	0	0	0	398	250	0	0	2,738	3,675
Leg. Decree 231/2001	1,560	2,377	0	6	0	0	239	150	0	0	1,799	2,533
Technical skills	19,609	26,938	350	291	0	0	3,187	2,004	4,674	6,862	27,820	36,095
Soft skills	6,160	8,773	454	254	32	148	0	0	1,820	2,744	8,466	11,919
Total	47,689	67,498	1,170	848	636	2,938	3,985	2,506	7,756	11,436	61,236	85,226

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

Gender	Italy		Rest of Europe		USA		Brazil		China		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Men	76.2	47.7	6.9	4.1	1.5	7.8	29.8	28.9	8.5	7.1	33.6	24.6
Women	29.4	50.8	10.3	3.3	1.5	7.2	34.3	22.1	6.7	9.3	15.8	24.9
Total	47.2	49.6	9.1	3.5	1.5	7.5	33.2	23.4	7.3	8.6	22.3	24.8

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

Category	Italy		Rest of Europe		USA		Brazil		China		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Directors & Executives	47.2	67.7	0.0	4.0	1.9	6.2	33.3	16.0	9.1	4.7	24.6	32.1
Managers	17.1	201.5	4.0	2.8	2.6	17.6	34.1	24.0	22.6	21.1	81.4	97.8
Employees	42.8	44.1	13.9	6.5	1.2	17.8	33.5	27.8	13.7	13.7	27.4	29.2
Workers	29.5	34.2	4.5	1.0	1.4	1.4	33.0	22.0	4.2	5.9	12.4	14.8
Total	47.2	49.6	9.1	3.5	1.5	7.5	33.2	23.4	7.3	8.6	22.3	24.8

Performance evaluation is carried out heterogeneously in the different countries where Intercos operates. Italy and China are the countries where the performance assessment process is more widespread, with respectively 45.8% and 100% of employees receiving a feedback on their performance during the year. The acquisition of the Cosmint Group, in which the evaluation process is not yet formalized, determines the significant reduction in the percentage of personnel receiving a performance review in 2017 compared to 2016 in Italy and in Europe. Considering the same perimeter, the percentage of employees receiving a performance evaluation remains almost constant over the two-year period. Brazil has started in 2017 an evaluation process especially for Directors and Executives, Managers and Employees.

Table 12: GRI 404-3 (a): Percentage of employees receiving regular performance review, by gender, region and employee

	Italy		Rest of Europe		USA		Brazil		China	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
By gender										
Men	52.2%	40.4%	89.1%	42.9%	35.3%	43.3%	0.0%	23.8%	100.0%	100.0%
Women	62.3%	49.6%	63.9%	47.5%	24.0%	25.7%	0.0%	18.6%	100.0%	100.0%
By employee category										
Directos & Executives	100.0%	69.7%	33.3%	100.0%	58.8%	72.2%	0.0%	100.0%	100.0%	100.0%
Managers	96.1%	88.2%	68.8%	100.0%	25.0%	38.7%	0.0%	100.0%	100.0%	100.0%
Employees	98.5%	78.2%	84.6%	60.8%	27.4%	33.0%	0.0%	46.2%	100.0%	100.0%
Workers	9.5%	7.5%	60.0%	21.9%	29.0%	30.5%	0.0%	0.0%	100.0%	100.0%
Total	58.5%	45.8%	72.9%	46.0%	29.4%	33.8%	0.0%	19.6%	100.0%	100.0%

category

We Value Diversity

Gender diversity represents a distinctive element for the company and a strength in the entire industry, generally oriented towards the female world.

The Intercos Group is indeed traditionally characterized by a strong presence of women, not only among its employees and workers, but also at the managerial level, albeit to a different extent depending on the functions and geographical area of reference. For Intercos, diversity is a value, also guaranteed through the Company's policies, which condemn all forms of discrimination in all phases of the employment relationship, with particular reference to employee selection and development processes, the establishment of the employment relationship and training and education.

The table below provides information on Intercos' workforce, broken down by gender, region, category and age group. The highest percentage of women executives is found in China, where it stands at 66%, followed by the United States (56%). At the managerial and employee level, the highest female share is recorded in the rest of Europe (respectively, 77% and 83%), followed in the first case by the United States (with 70% of women managers) and in the second case by Italy (with 73% of female employees). Finally, among workers, the largest female presence is found in Brazil (89%).

Table 13: GRI 405-1: Percentage of employees per employee category by geography, gender, age group and employee category

Category & Gender		Age group		Italy		Rest of Europe		USA		Brazil		China	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Directors & Executives	men	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		30 ≤ x ≤ 50	48%	48%	0%	0%	35%	33%	33%	0%	10%	8%	
		> 50 years	28%	30%	67%	50%	29%	11%	33%	50%	30%	25%	
	women	< 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		30 ≤ x ≤ 50	8%	6%	33%	17%	24%	39%	33%	50%	60%	58%	
		> 50 years	16%	15%	0%	33%	12%	17%	0%	0%	0%	8%	
Managers	men	< 30 years	0%	0%	0%	0%	3%	0%	14%	14%	0%	0%	
		30 ≤ x ≤ 50	23%	21%	13%	6%	23%	16%	14%	14%	42%	40%	
		> 50 years	25%	28%	6%	18%	18%	13%	14%	14%	2%	2%	
	women	< 30 years	0%	0%	0%	0%	15%	19%	0%	0%	4%	2%	
		30 ≤ x ≤ 50	39%	38%	69%	71%	30%	35%	57%	57%	51%	56%	
		> 50 years	13%	13%	13%	6%	13%	16%	0%	0%	0%	0%	
Employees	men	< 30 years	6%	6%	3%	4%	17%	17%	12%	12%	14%	16%	
		30 ≤ x ≤ 50	16%	16%	17%	13%	20%	18%	20%	19%	17%	20%	
		> 50 years	5%	6%	0%	0%	4%	3%	4%	4%	0%	1%	
	women	< 30 years	15%	14%	25%	33%	26%	27%	8%	8%	28%	27%	
		30 ≤ x ≤ 50	45%	45%	52%	48%	27%	30%	56%	58%	41%	36%	
		> 50 years	12%	14%	3%	2%	6%	6%	0%	0%	0%	1%	
Workers	men	< 30 years	3%	6%	2%	11%	11%	11%	7%	4%	15%	12%	
		30 ≤ x ≤ 50	30%	28%	42%	27%	29%	30%	11%	7%	16%	20%	
		> 50 years	13%	16%	18%	8%	10%	11%	0%	0%	1%	1%	
	women	< 30 years	2%	2%	2%	17%	14%	11%	36%	40%	30%	29%	
		30 ≤ x ≤ 50	37%	31%	20%	26%	27%	29%	46%	49%	38%	37%	
		> 50 years	15%	17%	16%	11%	9%	8%	0%	0%	1%	1%	

The following table shows the ratio of basic and remuneration of women to men in the various regions in which the Group operates and based on the contractual categories. The highest deviation is found, for what concerns Directors and Executives, in Europe (where the ratio of women's basic salary is equal to

86% of men's). For what concerns all other workforce categories, the highest deviation is found in the United States (respectively, 80%, 82% and 85% for managers, employees and workers). In Brazil, on the other hand, women's basic salary exceeds that of men for all workforce categories.

Table 14: GRI 405-2 (a): Ratio of basic salary of women to men

Category	Italy		Rest of Europe		USA		Brazil		China	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Directors & Executives	0.64	0.86	0.87	0.86	1.13	1.20	1.28	1.34	0.93	0.88
Managers	0.93	0.96	0.95	0.96	0.81	0.80	1.09	1.23	0.98	0.94
Employees	0.93	0.96	0.90	0.96	0.96	0.82	1.09	1.07	0.94	0.94
Workers	0.96	0.96	0.88	0.96	0.84	0.85	1.00	1.00	0.87	0.89

Table 15: GRI 405-2 (a): Ratio of remuneration of women to men

Categoria	Italy		Rest of Europe		USA		Brazil		China	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Directors & Executives	0.65	0.82	0.78	0.85	1.25	1.12	1.53	1.36	0.92	0.83
Managers	0.95	0.98	0.94	0.94	0.84	0.79	1.19	1.24	0.98	0.95

No incidents of discrimination were recorded in 2016 and 2017.

2 Protecting human and labor rights

Ensuring the respect of human and labor rights in the conduction of all business activities is a priority for the Group, also considering the fact that it operates in geographical contexts characterized by different socio-economic contexts, which are not always aligned to the highest international standards of human rights protection. Intercos condemns child and forced labour and commits to ensuring the right to a safe and healthy working environment, within the organization as well as along the supply chain. Indeed, employees' and workers' well-being is not only a moral principle but also the key to all individuals' and the Company's successful performance.

The main risks related to respect for workers' rights and human rights are related in particular to:

- the potential impact on employees' health and safety of specific production activities (for example manual handling of heavy loads, exposure to potentially dangerous chemicals);
- The different human rights laws in force in the countries where Intercos operates, which could challenge Intercos' ability to verify that the Group's standards are equally respected by all companies and suppliers;
- The presence of two activities, mica extraction and the metallization process, which present a high risk of violation of human and labor' rights along the supply chain.

In 2017, the Group practiced policies to respond to the above-mentioned risks that led, in January 2018, to the adoption of a **Corporate Policy for Sustainable Procurement**. With the adoption of this policy, Intercos commits to pursuing the development of a sustainable supply chain, especially by selecting and monitoring suppliers according to the basic principles of the International standards SA 8000, ISO 14001 and OHSAS 18001 which include: the respect for human rights, non-discrimination, the prevention of child and forced labor and the granting of safe and healthy working environment.

For what concerns the protection of human and worker rights within the company itself, in the **Code of Ethics** and in the **Code of Conduct** Intercos declares its commitment to:

- promoting throughout the Group the application of the principles established by the international standard SA 8000 on the respect for human and labor rights, the protection against the exploitation of minors and the need to guarantee safety and well-being in the workplace;
- safeguarding the physical and moral integrity of Intercos' people by ensuring a healthy and safe, serene and motivating work environment;
- consolidating a culture of safety through awareness, information and training programs and the involvement and empowerment of workers and anyone participating in the company activities, at all levels;
- seeking the continuous improvement of health and safety performance through objectives and targets that are periodically reviewed.

Through these documents, Intercos thus expresses its responsibility to ensure a socially responsible behavior and the respect of its ethical principles not only within the company, but also along the supply chain. To this end, the company requires its suppliers to sign, together with the signing of the commercial contract, the Group's Codes of Ethics and Conduct. This practice, used in countries where the risk that human labor rights violation might occur is higher, for example in China, will gradually be extended to other regions as well.

The protection of human and labor rights within the company

In terms of human and labor rights, Intercos commits to carrying out its business activities in compliance with the legislation in force in the countries in which it operates. Furthermore, at an organizational level, as defined in the Security Procedure, the Local Unit Security Manager, who reports hierarchically to the Local Unit Director and functionally to the Corporate Security Manager, guides each Local Unit to:

develop an appropriate security system based on the Local Security Program (with the goal of assessing the relevance of the impacts and risks associated with the local production activities) and ensure the protection of industrial sites and of the people (workers and visitors). To this end, safety training programs for workers and safety operators are periodically defined and implemented. In 2017, a total of approximately 26,300 training hours were provided at the Group level.

At the local level, in Italy Intercos complies with the applicable European and national legislation on health and safety management in the workplace, i.e. Legislative Decree 81/2008 (and subsequent updates). As required by the Decree, the company carries out a periodic analysis of the risks related to the production activities and of the preventive/protection measures implemented; drafts a Risk Assessment Document that is periodically revised and updated by multi-stakeholder group composed by the Employer, the Executives, the Prevention and Protection Service, a competent doctor, external consultants and the workers' representatives. Furthermore, Intercos Europe S.p.a. has become a member of the Sedex Members Ethical Trade Audit (SMETA) network and is therefore subject to audits that ensure compliance with all the requirements regarding human and labor rights (in particular, child labor, working hours and minimum wage, freedom of association, as well as compliance with adequate hygienic-sanitary conditions).

In China, a country characterized by greater regulatory flexibility, Intercos has started a process to ensure the application in its local branches of the highest international standards in regards to the respect for human rights and labor rights. To date, the company Interfila Cosmetics (Shanghai) Co., Ltd owns the OHSAS 18001 certification, which attests to an adequate management of health and safety in the workplace. In addition, Interfila Cosmetics (Shanghai) Co., together with Intercos Technology (SIP) Co. Ltd. and Intercos Cosmetics (Suzhou) Co., have obtained the SA8000 certification, which attests to their compliance with the main international standards on human rights (child labor, forced labor and retribution) and on health and safety in the workplace.

Selection and monitoring of suppliers' performance according to social criteria

Intercos is committed to ensuring the respect for human rights and labor rights along its supply chain. When selecting new suppliers and monitoring the performance of existing suppliers, the company, in addition to considering commercial and product quality criteria, also focuses on their ethical performance (safety, human rights, compliance with local legislation) and evaluates them through on-site visits, the completion of a questionnaire and any other specific measures based on current needs. In the specific case of mica suppliers, for example, these are required to present the "No Child Labor Declaration", which certifies the absence of child labor during the extraction process of this mineral. The evaluation is performed through the compilation of a detailed Check List (which contains about 250 questions, of which more than 30 are dedicated to social responsibility) and the audits at the supplier's facilities. Since 2017, the function that manages the selection and monitoring of the performance of raw material and packaging suppliers is centralized at Group level and supported by a local team to carry out audits in Asia.

Despite the procedures related to the selection and monitoring of suppliers also according to social criteria are applicable to all categories of suppliers, to date these procedures apply only to the suppliers of raw materials and packaging.

The Responsible Mica Initiative

Mica, an essential mineral in the cosmetic industry, especially valuable for the production of eye shadows because of its pearly effect, is still too often extracted by children, especially in India. The mica supply chain is complex and globalized, involving several intermediaries, processors and traders on different continents from the mine to the end user. To face the potential risk of being indirectly involved in child labor, Intercos joined the "Responsible Mica Initiative" in 2017, a global association that crosses all sectors, private, public and non-profit, with the aim to promote a correct and sustainable mica supply within the Group.

Key pillars of the initiative are:

1. The implementation of fair and sustainable mica mining and processing practices and the improvement of traceability along the value chain;
2. The empowerment of local communities to ensure positive long-term change through development programs;
3. The collaboration with the Indian government and local authorities to ensure an appropriate legal framework is in place.

The following table (Table 16) reports the main performance indicators related to occupational health and safety, namely the number of injuries, the injury and lost day rate, the occupational disease rate, and the lost days due to absenteeism rate. During 2017, there were no significant issues concerning employees' health and safety within the Group. In particular, 35 accidents were recorded (of which none of them were fatal), an increase compared to 2016 (22), with an injury rate of 4.2 (3.8 in 2016). Considering the same perimeter as 2016, there were 11 accidents overall, half the value compared to the previous year.

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

		Italy		Rest of Europe		USA		Brazil		China	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
men	Number of injuries	6	14	0	0	2	3	0	0	1	2
	Work-related fatalities	0	0	0	0	0	0	0	0	0	0
	Injury rate	10.4	15.1	0.0	0.0	5.7	8.7	0.0	0.0	1.1	1.7
	Occupational disease rate	8.7	6.5	0.0	0.0	2.9	2.9	0.0	0.0	0.0	0.0
	Lost day rate	0.1	0.8	0.0	0.0	0.01	0.4	0.0	0.0	0.005	0.01
	Absentee rate	4.7	4.4	4.6	4.0	0.01	0.4	1.8	1.7	2.3	1.7
women	Number of injuries	11	6	0	1	1	4	0	0	1	5
	Work-related fatalities	0	0	0	0	0	0	0	0	0	0
	Injury rate	11.3	2.7	0.0	3.5	3.1	8.7	0.0	0.0	0.5	2.0
	Occupational disease rate	0.0	0.0	0.0	n/a ¹	6.2	0.0	0.0	0.0	0.0	0.0

¹ The data related to the number of occupational diseases within Tatra Spring Polska in 2017 is not available.

	Italy		Rest of Europe		USA		Brazil		China	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
<i>Lost day rate</i>	0.1	1.1	0.0	6.4	0.2	0.4	0.0	0.0	0.02	0.1
<i>Absentee rate</i>	7.8	6.9	7.8	9.0	0.2	0.4	0.0	0.0	2.4	1.7

For what concerns the information related to the selection of suppliers based on social criteria (human rights, safety and regulatory compliance), the data on the percentage of new suppliers selected according to these criteria is shown below (Table 17). Considering the same perimeter as 2016, the proportion of suppliers selected according to social criteria increased from 36% to 43.3%. The acquisition of Tatra Spring Polska, a member of Cosmint Group, led to a significant reduction of suppliers selected according to social criteria, as these criteria are not yet included in its evaluation process.

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

	u. m.	2016	2017
Number of new suppliers ²	n.	214	599
Total number of new suppliers selected according to social criteria	n.	77	120
Percentage of new suppliers selected according to social criteria	%	36.0%	20.0%

² The data refers to suppliers of raw materials and packaging.

3 Our attention towards the environment

For what concerns environmental issues, Intercos Group generates, in carrying out its production processes, impacts that are mainly linked to the procurement of raw materials and waste disposal (§ Procurement and disposal process), to air pollutant and climate-change emissions (§ Fight against climate change) and the management of water supply and discharges (§ Management of water resources).

In 2017, the Group practiced policies to respond to potential risks related to the environment issues, as described in this chapter, which led to the adoption in February 2018 of a **Corporate Environmental Policy**. Through this policy, Intercos commits to contributing the fight against the global challenges posed by climate change through responsible production and distribution practices. In particular, the Policy expresses Intercos' commitment to reducing its air pollutant and climate-change emissions and waste, and to improve water consumption efficiency. This commitment is confirmed within the **Corporate Policy for Sustainable Procurement**, adopted in January 2018, in which Intercos undertakes to pursue the development of a sustainable supply chain, based on evaluation of new and current suppliers also based on environmental criteria, according to the principles of the international standard ISO 14001.

At the local level, the Group is equipped with resources and tools that allow for the correct management of environmental issues, in line with the applicable regulatory framework. In particular, Intercos Europe S.p.A has adopted an Environmental Policy that expresses the company's commitment to mitigating the environmental impacts associated with its production activities. This Policy is the basis of the environmental management system that has allowed the production site of Dovera to obtain the certification ISO 14001: 2008, which guarantees an adequate management and continuous monitoring of environmental aspects and performance. The production site of Interfila Cosmetics (Shanghai) Co., Ltd. also obtained the renewal of the ISO 14001: 2004 certification in 2017.

In 2017, the Intercos Group did not record any significant (monetary and / or non-monetary) sanctions for violations of environmental laws and / or regulations.

For what concerns the management of the individual relevant environmental aspects, the following paragraphs illustrate the main risks, the management models adopted at the local level and the main performance indicators.

Procurement and disposal processes

In conducting its business, Intercos Group manages thousands of raw materials and semi-finished products that come from different parts of the world and are extracted, processed and produced in territories that are characterized by more or less relevant environmental pressures, depending on the country of origin / processing. For this reason, the procurement of raw materials and other product

components, such as packaging materials and labels, as well as their management, transformation into finished products and possible disposal are an element of fundamental importance for the Group.

The main environmental risks related to the procurement and management of raw materials and the disposal of generated waste are related, in particular, to:

- the cultivation of palm oil (of which Intercos uses some derivatives) in some particular regions of the world, where it caused and continues to cause deforestation issues, with consequent impacts on climate change and on the loss of biodiversity;
- the use of chemicals that are potentially harmful to the environment, whose use is limited and regulated by EU and international regulations (e.g. REACH);
- activities involving the handling, collection and disposal of waste and hazardous substances that may potentially result, if not accurately managed, the contamination of soil, surface or underground waters due to spills on the ground, and impacts related to the incorrect disposal of waste that could have been recovered.

The procurement of raw materials

Raw materials selection and codification processes apply, at the Group level, to both the raw materials purchased by the Company and those specifically requested by the customer and sent to contractors. Following the receipt of a purchase request for a specific raw material, the Raw Material Office evaluates the possible suppliers and requests a sample that must be accompanied by a set of documentation of various type including, in addition to the technical and toxicological documentation, the declaration of REACH compliance, MSDS and RSPO certification (Roundtable on Sustainable Palm Oil) where applicable. Following the verification of the documentation, the Raw Material Office sends the raw material to the laboratory for possible tests and finally, after its approval, it activates the codification process by entering the specific information of the raw material in the company database.

Proving its commitment to guaranteeing the respect for the environment, Intercos has adopted a Group-wide selection and qualification process for new suppliers which is also based on environmental criteria and which aims at evaluating how suppliers commit to, manage and monitor environmental issues.

The management of hazardous chemicals

Intercos Europe S.p.A. has adopted a specific procedure for the management of chemicals that are potentially dangerous for the environment, which is mainly based on the provisions of the European Regulations 1907/2006 (REACH), 1272/2008 (CLP) and 2015/830 (SDS).

The introduction of chemical agents into the plant can take place either through the purchase of chemicals used for bulk production, or through the purchase of substances and semi-processed products, generally ancillary products, mainly used for maintenance activities or by the technical services. Regarding the chemical substances used for production, the Research Department selects the raw materials that are then validated by the HSE function and codified by the Coding Department. The latter requires the supplier to update the safety data sheets in Italian in order to file them and ensure the compliance of the papers received with respect to the REACH regulation. Following the issuing of purchasing order by the Purchasing Office and the arrival of the products in stock, the HSE function defines the responsibilities of the functions in charge of the verification and management of the processes from the arrival to the storage and the handling of the chemical agents.

For what concerns the management of auxiliary products, based on the specific department's need, the managers contact the supplier and requests the respective safety data sheets. The HSE function examines the safety data sheets and involves, as appropriate, one or more functions for final approval. The managers of the different departments finally supply the approved products, even without the involvement of the Purchasing Department. Following the arrival of the products in the warehouse, the logistics function delivers it to production.

Waste collection and disposal

To date, there is no centralized model for managing waste collection and disposal, which are delegated to the individual local units, mainly at the production sites, according to practices or procedures that are in line with applicable laws and / or the regulations in the different countries.

Intercos Europe S.p.A has adopted a specific waste management procedure which is mainly based on the provisions of the European and Italian legislation (D.Lgs.152 / 2006 as amended). The HSE function, depending on its origin and danger, classifies the waste generated by the activities in “urban” or “special” and in “hazardous” or “non-hazardous,” according to the respective EWC code. All types of waste are collected separately in dedicated areas that, in the case of special hazardous waste, are paved with waterproof floors or provided with containment tanks to prevent potential leakages. The HSE function also has the task of coordinating all the activities required by law (FIR, loading and unloading register, MUD, SISTRI) and of organizing the transport and transfer of waste to the disposal / recovery plant, also through the selection of suppliers and the verification of their compliance with all applicable legislations.

Intercos Technology (SIP) Co., Ltd and Intercos Cosmetics (Suzhou) Co., Ltd have adopted a specific procedure for the prevention of pollution and the correct management of waste, based on the provisions of the Chinese national legislation (Law of the People's Republic of China on the Prevention of Environmental Pollution Caused by Solid Waste). All the waste generated by the activities of the production plant are classified in: recyclable (paper, plastic, metals, etc.), undifferentiated (construction waste, food, gardening, etc.), hazardous (inks, additives, detergents, glues, fluorescent lamps, etc.), industrial (dirty clothes and paper, lipstick, mascara, powders, emulsions and other raw materials, etc.) and waste (finished products, materials and packaging). Depending on the category to which it belongs, all waste is collected in special containers that must be properly closed, provided with a specific label and made of materials that do not allow any kind of chemical reaction with the waste contained therein. The waste produced by the plant must be transferred to the warehouse that collects it and, if it is dangerous, stores it in a special area (Hazardous Waste Storage Room). The HSE function, with regard to hazardous waste, has the task of compiling and managing the documentation in compliance with the applicable national legislation (double copy modules for the transfer of hazardous waste) and to contact the suppliers for the transportation and transfer of hazardous waste to the disposal plant. Instead, non-hazardous waste is managed directly from the warehouse that supplies it to special waste collection stations, in the case of recyclable waste, or to public landfills, in the case of undifferentiated waste. If there is no specific procedure for industrial waste, the companies use a special disposal procedure their disposal.

Interfila Cosmetics (Shanghai) Co., Ltd has adopted a specific procedure for the management of environmental aspects that includes specific waste management provisions. Waste is classified as hazardous waste, such as oils, paints, inks and detergents, and in general waste such as packaging and wood chips. Following the identification of hazardous and generic waste, the site identifies suitable areas for waste storage, based on their classification. The company manages waste disposal activities with the aim of minimizing the amount of waste produced and of carrying out the correct treatment and disposal process where it is not possible to facilitate its recovery.

Intercos do Brasil Industria e Comércio de Produtos Cosméticos LTDA has adopted a specific procedure that establishes the criteria for the disposal of generated waste and is based on the provisions of the Brazilian national legislation (NBR 10004: 2004 - Resíduos Sólidos - classificação). The waste produced by the plant is classified on the basis of a color scale: blue for office paper, newspapers, magazines and cardboard; red for plastic; orange for hazardous chemical waste (e.g. batteries of electronic devices); green for glass; black and gray for industrial or contaminated waste; yellow for metals; and brown for organic waste. All waste, based on the specific type, is collected in different areas and in suitable and adequately identified containers and is entrusted to external companies authorized for their treatment, in the case of hazardous waste, and subsequent disposal.

Roundtable on Sustainable Palm Oil

Palm oil is a vegetable oil that, as such or as a derivative obtained by reaction or by extraction of certain components, is used in the cosmetic sector for the production of foaming surfactants. It can be found in particular in cleaning products, from soaps to shower gels, in almost all types of emulsions, such as creams and cleansing milks, from shaving to make-up products, from lipsticks to pencils.

In the last thirty years the cultivation of palm oil has grown, mainly in Southeast Asia, where it is considered, together with the wood industry, the main cause of the intense deforestation phenomenon. The conversion of tropical forests into vast oil palm monocultures causes the disappearance of precious rain forests, the deterioration of peatlands, the suppression of unique natural ecosystems and, consequently, the loss of biodiversity. Moreover, not only do the strong changes in land use cause erosion and hydrogeological instability in the territories concerned, but they also produce a strong increase of greenhouse gases in the atmosphere, thus contributing to climate change globally.

To contribute to combating land and forest exploitation and to prevent the potential risk of being indirectly involved in deforestation activities, in 2017 Intercos joined the Roundtable on Sustainable Palm Oil (RSPO). The RSPO, a non-profit association, has defined specific environmental and social criteria that member companies must respect to produce and market certified sustainable palm oil, with the aim of developing an international standard for sustainable use of palm oil.

The main goals of the RSPO association are:

1. to implement research and development activities to define criteria for sustainable palm oil use and production;
2. to undertake projects aimed at facilitating the implementation of best sustainable practices;
3. to develop concrete solutions to the problems encountered in the adoption and assessment of best practices for the creation and management of plantations, procurement, trade and logistics;
4. to acquire financial resources from private and public funds to finance projects supervised by the RSPO;
5. to communicate the RSPO's work to all stakeholders and to the general public.

During 2017, the Intercos Group used approximately 4,600 tons of raw materials in its production process. 75% of the raw materials used for the creation of its products is represented by: inorganic fillers of various types, silicones, esters, solvents, natural mica-based pearls, emulsifiers, polymers, inorganic colorants and synthetic waxes. The renewable raw materials³ used by the Group,⁴ which represent approximately 4% of the total materials used, are: organic oils and waxes, organic fillers, vegetal-derived oils and essential oils.

Table 18: GRI 301-1 – Materials used

Raw materials	Quantity	
	2016	2017
Total natural raw materials (include esters, emulsifiers, active ingredients, fatty alcohols and acids, etc.)	646	910
<i>Of which renewable</i>		
<i>Vegetal oil</i>	49	64
<i>Vegetal waxes</i>	31	33
<i>Vegetal derived oil</i>	3	5
<i>Organic oil (Bio)</i>	1	2
Total inorganic raw materials (include inorganic fillers, natural mica based pearls, inorganic colorants, sunscreen physical agent, etc.)	1,427	1,802
Total synthetic materials (include silicones, solvents, polymers, synthetic waxes, rheological mods, etc.)	1,615	1,891
Total	3,688	4,603

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

Type of packaging	Quantity (pieces)	
	2016	2017
PRIMARY	1,259,409,226	1,327,777,856
Bottles/jugs	385,579,699	481,119,609
Pencils/pens	313,056,640	183,446,203
Lipsticks	475,068,554	481,613,102
Trousse	85,704,333	181,598,942
SECONDARY	865,464,262	999,777,769
Labels/stamps	433,967,065	487,955,918
Packaging	251,420,836	292,929,510
Various packing material	155,610,608	188,180,129
Other	24,465,753	30,712,212
Total	2,124,873,488	2,327,555,625

In 2017, the process of selecting new suppliers according to environmental criteria involved the suppliers of raw materials and packaging, especially in China. Globally, compared to the 599 new suppliers that

³ Raw materials deriving from resources whose consumption is rapidly reintegrated by ecological cycles or agricultural renewal processes, so that the services provided by these and / or other related resources are not exhausted and remain available for future generations.

⁴ The data shown in the Table exclude the raw materials purchased by the Cosmint Group, which mainly works through contractors.

were contracted during the year, 20.0% (120) were selected also according to environmental criteria. The acquisition of Tatra Spring Polska, a member of the Cosmint Group, led to a significant reduction of suppliers selected according to environmental criteria, as these are not yet included in the evaluation process.

	u. m.	2016	2017
Total number of new suppliers ⁵	n.	214	599
New suppliers selected according to environmental criteria	n.	77	120
Percentage of new suppliers selected according to environmental criteria	%	36.0%	20.0%

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

As of December the 31st, 2017, the Intercos Group generated a total of 9,760 tonnes of waste, of which 6,664 tonnes (68%) were non-hazardous and 3,097 tonnes (32%) were hazardous. The region that generated the highest amount of waste is Italy (65%), followed by the rest of Europe (19%), China (10%), the United States (5%) and Brazil (1%). Considering the same perimeter as 2016, the amount of waste produced is equal to 6,779 tons.

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

Destination	u.m	Italy		Rest of Europe		USA		Brazil		China		Total	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Hazardous	ton	350	3,018	0	0	10	8	1	1	59	70	420	3,097
Of which sent to reuse	ton	0	320	0	0	0	0	0	0	0	0	0	320
Of which sent for recovery (including energy recovery)	ton	22	742	0	0	10	8	0	0	0	0	32	750
Of which sent to incineration	ton	0	0	0	0	0	0	1	1	0	0	1	1
Of which sent to recycling	ton	0	1,803	0	0	0	0	0	0	0	0	0	1,803
Other	ton	328	153	0	0	0	0	0	0	59	70	386	223
Non-hazardous	ton	2,137	3,250	1,857	1,882	343	529	85	88	711	915	5,132	6,664
Of which sent to reuse	ton	0	0	1,610	1,449	0	0	2	4	0	0	1,612	1,453
Of which sent for recovery (including energy recovery)	ton	7	214	0	0	177	201	1	1	0	0	186	416
Of which sent to incineration	ton	0	0	137	126	0	0	0	0	4	3	140	129
Of which sent to recycling	ton	0	1,581	110	275	165	327	30	33	560	719	866	2,935
Of which sent to landfill	ton	0	0	0	0	0	0	12	11	147	193	159	204
Other	ton	2,129	1,455	0	32	0	0	40	39	0	0	2,169	1,527
Total	ton	2,486	6,268	1,857	1,882	352	536	87	89	769	985	5,552	9,760

⁵ The data refers to suppliers of raw materials and packaging.

The fight against climate change and air pollutant emissions

In order to guarantee the continuity of its business, the Intercos Group considers it essential to meet the needs of its customers and to comply with the applicable legislation on the protection of air quality and the reduction of phenomena related to climate change, aware of the fact that, as a manufacturing company, it carries out production activities that could generate significant environmental pressures associated with energy consumption and, consequently, the emission of air pollutants and climate-changing substances into the atmosphere.

The main risks linked to climate change and air pollutant emissions are represented, in particular, by:

- the absence of an emissions management program, which could expose the Group to a potential reputational and legislative risk, when called to report its environmental performance because of the increase in international, European and national pressures on this issue;
- the emission of substances that could cause, if the appropriate rules are not applied, impacts connected to air pollution and, in particular emergency conditions, also harmful effects for the people and the environment surrounding the emission point.

For what concerns the management of energy consumption and pollutant and climate-changing emissions, there is no centralized model to date, and the choice of the adequate operational procedures for the management of these environmental aspects is left to the individual companies / plants.

In compliance with the provisions of the Legislative Decree No. 102/2014, in 2015 Intercos Europe S.p.A. prepared an "Energy Efficiency Report" for the production plants of Agrate and Dovera in order to describe the company's energy system and consumption and to define possible improvement interventions in terms of energy efficiency, quantifying the resulting savings. Furthermore, the company has adopted specific procedures for the management of air pollutant emissions into the atmosphere and greenhouse gases, which are based on the provisions of the binding Italian and national European legislation. In 2016 and 2017, the Agrate plant purchased 100% of energy certified as coming from renewable sources. In 2017, the Dovera plant also started this practice, purchasing 100% of energy certified from renewable sources.

In terms of atmospheric emissions, the HSE function, supported by the RSPP, identifies and analyses the emission points, classifies the pollutants emitted and keeps an updated census on the type and the characteristics of the emission points identified within the production process. The monitoring activity is carried out through specific studies, carried out by qualified third-party laboratories, aimed at ensuring compliance with the limits set by the current legislation and at ensuring the efficiency of the abatement systems. The HSE manager examines the results of the analyses and, if necessary, implements appropriate improvement interventions. The Technical Services manager selects the type of devices used for the abatement of the fumes and coordinates its periodic maintenance.

For what concerns the management of fluorinated gases, substances that contribute to the greenhouse effect and that are present in refrigeration and air conditioning equipment, the Technical Services and Maintenance functions ensure compliance with the relevant regulatory obligations in order to prevent any gas leaks and ensure the timely intervention of qualified third parties in case of anomalies. These functions provide for the census of the plants and equipment and, as required by the European Regulation 517/2014, for their periodic maintenance with a frequency that varies according to the amount of CO₂ equivalent to the gas contained in them. In addition, the Technical Services and Maintenance functions ensure that company personnel intervening on the equipment is adequately trained through specific training courses, verify that the third party companies involved in the management of fluorinated gases are regularly registered at the National Register of Fluorinated Gases (F-GAS Register), as required by Presidential Decree 43/2012, and guarantee the correct disposal of gases by certified personnel.

The tables below reports data on Intercos' energy consumption, direct and indirect GHG (e.g. NO_x) emissions and air pollutant emissions.

The energy consumption of Intercos Group derives mainly from the use of fuels, such as gasoline and natural gas, and from the procurement of electricity for its production activities. As of December the 31st, 2017, the Intercos Group consumed 17,209 liters of gasoline, 2,738 liters of diesel and 2,390,216 m³ of natural gas and purchased 51,107,946 kWh of electricity. About the purchasing of electricity, Italy recorded the highest consumption (53%), followed by China (22%), the United States (18%), Brazil (4%) and Europe (3%). Considering the same perimeter as 2016, the consumption of electricity and natural gas in 2017 is respectively equal to 40,624 MWh and 1,591,683 m³.

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

Type of consumption	u.m	Italy		Rest of Europe		USA ⁶		Brazil		China		TOTAL	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Gasoline	litri	0	0	0	1,369	0	0	13,200	15,840	0	0	13,200	17,209
Diesel	litri	230	230	0	2,028	0	0	0	0	600	480	830	2,738
Natural gas	m ³	1,126,891	1,979,566	96,820	138,397	n.a.	n.a.	0	0	255,004	272,253	1,478,715	2,390,216
Electricity	MWh	16,220	26,916	556	1,604	8,031	9,397	1,120	2,180	8,027	11,010	33,954	51,108

Below are the figures for direct GHG emissions (scope 1), which derive mainly from the consumption of fuels, in particular natural gas (78.0%), and from the use of refrigerant gases (21.2%) in refrigeration and air conditioning systems. In particular, Italy (71.5%) is the country that provides the largest contribution in terms of GHG emissions (scope 1). Considering the same perimeter as 2016, scope 1 CO_{2eq} emissions are equal to 3,955 tons in 2017.

Type of consumption	U.M.	Italy		Rest of Europe		USA ⁷		Brazil		China		TOTAL	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Gasoline	ton CO _{2 eq}	0	0	0	3	0	0	30	36	0	0	30	36
Diesel	ton CO _{2 eq}	1	1	0	5	0	0	0	0	2	1	2	7
Natural gas	ton CO _{2 eq}	2,203	3,758	189	272	n.a.	n.a.	0	0	499	535	2,891	4,564
Refrigerant gases	ton CO _{2 eq}	606	427	0	0	53	42	0	39	771	732	1,429	1,240
Total	ton CO_{2 eq}	2,809	4,185	189	280	53	42	30	76	1,271	1,268	4,353	5,851

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

⁶ The data related to natural gas consumption in the USA is not currently available.

⁷ Scope 1 CO₂ emissions related to the consumption of natural gas in the USA is not currently available.

Below is the data on indirect GHG emissions (scope 2), which derive mainly from the consumption of electricity. As of December the 31st, 2017, for what concerns indirect GHG emissions (scope 2), the Intercos Group emitted, considering the location-based approach, 22,768 tonnes of CO_{2eq}, of which 44% in Italy, 31% in China, 19% in the United States, 4% in the rest of Europe and 2% in Brazil. Considering the market-based approach, there is a clear reduction in CO_{2eq} emissions in Italy compared to the location-based approach as Intercos, starting in 2016 with Agrate and continuing in 2017 with also the Dovera plant, has started to purchase green certified energy coming from renewable sources. Considering the same perimeter as 2016, CO_{2eq} emissions for year 2 are equal to 18,398 tonnes according to the location-based approach and 12,052 tonnes according to the market-based approach.

Approach	U.M.	Italy		Rest of Europe		USA		Brazil		China		TOTAL	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Location based	ton CO ₂	6,085	10,096	24	856	3,654	4,276	208	406	5,201	7,135	15,173	22,768
Market based	ton CO ₂	3,562	4,466	158	1,051	3,654	4,276	208	406	5,201	7,135	12,783	17,333

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

Pollutant emissions into the atmosphere are mainly linked to the following substances: NO_x, volatile organic compounds (VOCs) and particulate matter. In particular, the largest contribution derives from Italy, which in 2017 emitted about 3 tonnes of NO_x (3.3 in 2016) and about 9.3 tonnes of VOCs (6.7 in 2016), and from China, which issued 1.3 tons of particulate matter.

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

Type of air pollutant	U.M.	Italy		Rest of Europe		USA		Brazil		China		TOTAL	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
NO _x	kg	3,267	3,040	0	447	0	0	0	0	0	0	3,267	3,487
VOCs	kg	6,683	9,339	0	85	0	0	0	0	0	0	6,683	9,424
Hazardous air pollutants	kg	160	124	0	0	0	0	0	0	0	0	160	124
Particulate matter	kg	271	290	0	0	600	0	0	0	222	1,314	1,093	1,604

Management of water resources

Water resources and their prudent management represent an important theme for the Intercos Group. In particular, the correct management and disposal of the waters used in the production process, and thus require specific chemical-physical treatments before being discharged into the sewer system, are of particular relevance.

The main risks associated with the management of water resources by the company are essentially linked to the disposal of wastewater that could potentially generate, if not appropriately managed, the pollution of the ground, of surface water or of groundwater, due to malfunctions or breakages in the treatment systems.

Like for the other environmental aspects, there is currently no centralized model for the management of water supplies and water discharges, and the operating procedures for the treatment of these aspects is left to the individual companies / plants.

Regarding the management of water supplies, Intercos Europe S.p.A, withdraws its water resources from the municipal waterworks, for both civil and industrial uses, or through wells, for irrigation and fire fighting.

Intercos Europe S.p.A., has adopted a specific procedure for the management of water discharges which is mainly based on the provisions of the European and Italian national legislation (D.Lgs.152 / 2006 and subsequent amendments) and the provisions of the Single Environmental Authorization issued by the Province. Wastewater from production plants can generally be divided into: process water, rainwater and sewage. The process waters, deriving from the various cleaning operations, are generally conveyed to a chemical-physical treatment plant and subsequently into the sewage system. The meteoric waters, including the waters collected in the yards and rainwater, are usually conveyed to a separator well that collects the first rainwater in special accumulation / decantation tanks and then send them to the sewage system. The black waters, deriving from the toilets located in the factories, are sent into the sewage system, together with the wastewater coming from the kitchen. The Technical Services function provides for the daily management of the purification equipment and their extraordinary and periodic maintenance by qualified personnel, as regulated by the specific contracts stipulated with external maintenance companies.

The information related to the management of water resources by the Intercos Group is reported below, in terms of both the volumes of water withdrawals and the volume and quality of water discharges.

As of December the 31st, 2017, the water consumed by the Intercos Group amounted to 444,530 m³. The highest water consumption was recorded in Italy (52%), followed by the United States (25%) and China (19%). Considering the same perimeter as 2016, water consumption amounted to 291,812 m³, a slight decrease compared to the previous year.

Table 26: GRI 303-1 (a): Water withdrawals

Source	U.M.	Italy		Rest of Europe ⁸		USA		Brazil		China		TOTAL	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Municipal water	m ³	74,795	231,814	8,847	15,678	126,012	111,421	2,086	2,328	81,818	83,289	293,558	444,530

Below is reported the information on the volumes of water discharged. In 2017, 212,991 m³ (72%) of discharged water was sent to treatment plants. In terms of volumes discharged, the largest contribution was due to the United States (52%) and Italy (37%). Considering the same perimeter as 2016, water

⁸ Data on water withdrawals by Intercos Paris, CRB Benelux and Intercos Asia Pacific Limited are not included as they are not available.

discharges in 2017 amount to 212,991 m³.

Table 27: GRI 306-1 (a): Water discharge by quality and destination

Destination	U.M.	Italy		Rest of Europe		USA		Brazil		China		TOTAL	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Discharge in surface water	m ³	0	0	770	825	0	0	0	0	0	0	770	825
Discharge in sewers	m ³	16,503	53,638	48	49	0	0	0	0	0	0	16,551	53,687
Discharge in treatment facilities	m ³	20,965	68,140	7,363	14,024	126,012	111,421	1,317	1,464	5,285	7,227	160,942	202,276
Other	m ³	0	0	0	0	0	0	0	0	7,053	4,727	7,053	4,727
Total	m³	37,468	121,778	8,181	14,898	126,012	111,421	1,317	1,464	12,338	11,954	185,316	261,515

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

Table 28: GRI 306-1 (a): Quality of water discharges⁹

Parameter	U.M.	Italy		Rest of Europe		USA		Brazil		China	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
COD	mg/l	93	152	n.a.	n.a.	0	0	n.a.	n.a.	483	132
BOD	mgO ₂ /l	37	61	n.a.	n.a.	110	214	n.a.	n.a.	0	0
TSS	mg/l	14	11	n.a.	n.a.	75	88	n.a.	n.a.	9	6

⁹ The analysis of water quality for the companies CRB S.A. and Intercos do Brasil are carried out on a voluntary basis, before the water is sent to the treatment system. Data on water quality is not currently available for Cosmint Group.

4 Fighting against corruption and bribery

Intercos Group is committed to respecting the highest standards of business conduct, fighting corruption in all its forms, including bribery, and acting to prevent any potential violation of its business integrity

The risks associated to corruption derive from the nature and size of the organization, which operates in different countries, characterized by a different approach to the topic, both at the normative level and from an individual's behavioral point of view.

Intercos expresses its commitment to ensuring the respect of the highest values of business conduct within the Code of Conduct. In fact, as described in the following section, the Group practices policies based on the principles of integrity and transparency, considered as fundamental ethical values, and explicitly condemns any form of corruption, including bribery. It is also noted that Cosmint Spa, acquired by Intercos Group on August 3, 2017, has adopted an anti-corruption and anti-fraud Policy, which expresses the company's commitment to preventing any form of corruption and fraud, in support of its values of corporate responsibility.

Intercos guarantees its legislative compliance with anti-corruption regulations in all the countries in which it operates. In Italy, the relevant legislation is the Legislative Decree 231/2001, which regulates the administrative responsibility of companies and other entities. Intercos, in Italy, has adopted an Organizational Model pursuant to Legislative Decree 231/2001, with the goal of fulfilling its legislative requirements but also of improving and increasing the efficiency of existing internal control and corporate governance systems. The main objective of the Model is, in fact, to create an organic and structured system of principles and control procedures, aimed at preventing the perpetration of the offenses envisaged by the Legislative Decree 231/2001, including the crime of corruption, through the information and training of employees, the dissemination of a business culture based on integrity, the promotion of a decision-making process based on transparency and traceability manner and the empowerment of the resources dedicated to the making and implementation of these decisions.

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

For what concerns the Group's foreign subsidiaries, Intercos S.p.A. has sent out a set of guidelines (the "Guidelines"), which contain the principles of organizational and business conduct to which the foreign companies controlled by the Parent company need to adhere, in line with the Organizational Model adopted by Intercos pursuant to Legislative Decree no. 231/2001, while also respecting all applicable rules at the local level.

The Guidelines for the foreign subsidiaries of Intercos S.p.A. are thus the reference point for the promotion of an ethical and transparent corporate culture. In fact, they attribute to the governing body of each company the power to implement all the necessary measures to apply the principles illustrated in the Model, with the aim of preventing any behavior that is not in line with the corporate culture. In particular, the Guidelines define the Group's principles regarding:

- the system of powers, including the definition of the commitment to guarantee the separation of duties, authority limits, the definition of and communication on powers, and the coherence of powers granted with the responsibilities assigned;
- the management of financial resources, requiring companies to equip themselves with the necessary internal procedures to allow for: a) a continuous monitoring and traceability of transactions; b) the assignation to different persons of responsibilities for the phases relating to payment requests, payments and control/reconciliations of the transactions performed; c) the retention of accounting records; d) the use of banks and financial intermediaries that comply with

regulations on transparency and correctness; relations with third parties, which must always be formalized and supported by appropriate contractual clauses, with regards to established market practices and/or and applicable tariffs.

Moreover, the Guidelines define the rules of conduct to be adopted in relations with the Public Administration, in the management of human resources, in the management of trademarks, patents and activities subject to intellectual property rights, in the production and distribution of the product, in the preparation of financial statements, in the management of customer data, procurement processes and sales activities. Furthermore, the Cosmint Group, acquired by the Intercos Group in August 2017, has its own Organizational Model pursuant to Legislative Decree 231/2001.

In order to prevent any episodes of corruption and bribery, a series of specific procedures support the implementation of the Organizational Model, among which, for examples, are: the Procedure for applying for and managing subsidized loans, which defines the methodology, the duties, the responsibilities and the mode of operating with regard to the Company's applications for and handling of public financing and/or grants ("Public Financing") to ensure the compliance with the standards of control applicable for activities subject to the risk of commission of the offenses contemplated by the Decree 231/2001; the Procedure for the management of relations with the Public Administration, which defines the correctness and impartiality of this type of relationships; the Procedure for the management of relationships with agents, which defines the manner in which the relationship with sales agents is contracted and conducted in compliance with the Italian law, the Code of Ethics, the Code of Conduct and the Organizational Model; the Third Party Processing Procedure, regulating the purchase of works, outsourced services and/or supplies by third parties; the Payment Cycle Procedure, which defines the internal norms regulating the procurement of the goods and/or services necessary for the Company's operations; the Handling of Reports of Irregularities Procedure, which defines the internal operating norms necessary for handling reports submitted by the Company's collaborators, employees, consultants, commercial partners and/or suppliers of issues which potentially involve the responsibility of the Company under the Decree 231/2001 legislation, regulating and ensuring – by the institution of appropriate channels of communication – the receipt, analysis and handling of such reports; the Procedure for the management of civil, criminal and administrative litigation, which defines the duties, the processes and the responsibilities of the Company Functions in relation to litigation involving the Company, in conformity with the requirements of the Organizational Model; and the Procedure for the management of subcontractors which defines the internal rules governing the acquisition of sub-supply services and / or costs related to the operations by third parties necessary for the company's production activity.

In 2016 and 2017, no corruption incidents were reported.

5 Protecting consumers' safety

Intercos guarantees the highest standards of hygiene and quality in all of its operations and activities, in order to protect the health and safety of the final consumers because, although not directly involved in the final choice of products' formulation, it is nevertheless responsible for their production process for realization. In order to protect the final consumer, the Group also considers it essential to guarantee the disclosure of complete and correct information to its B2B customers, through both marketing and labelling.

The main potential risks related to the final consumers' health and safety are:

- The use of substances constrained by norms and legislations and regulated at the European and international level;
- The use of substances constrained by the customer at the contractual level in the so-called black lists, which contain ingredients/substances that are not desired/limited by the customer and which may be subject to limitations in the future;
- The dissemination of incorrect or partial information to B2B customers (for example on product labels), which could harm the latter and, ultimately, the final consumer.

Within the Code of Ethics and Code of Conduct, Intercos describes its principles and values that are at the basis of its relations with all main stakeholders. As described in the following section, the Group practices policies that demonstrate its commitment to ensuring high quality standards for all its products and to adopting appropriate communication tools to inform the communities about the impacts deriving from its business.

To prevent any risk related to product safety, Intercos guarantees full compliance with applicable laws in all countries where it operates. For what concerns the cosmetics industry, the development, production and marketing of cosmetic products are normed by a particularly rigorous regulatory framework, guided at European level by Regulation (EC) no. 1223/2009 the "Cosmetic Regulation" which norms, inter alia, the activities concerning the composition, labeling and packaging of cosmetic products in order to facilitate their free circulation in the internal market of the European Union, as well as the criteria for safety assessment, in order to ensure greater protection of consumer health and safety. Non-clinical studies on the safety of cosmetic products are conducted, where applicable, in accordance with the principles of good laboratory practice pursuant to Legislative Decree no. 50 of March 2, 2007 (Directives 2004/9 / EC and 2004/10 / CE).

Although Intercos is not directly responsible, in legal terms, for the impact of the products on the final consumer, the company is still required to ensure compliance with the restrictions imposed by current regulations as well as the blacklist of its customers during the ingredients' selection and products' formulation processes.

Consumers protection, from products formulation to their production and packaging

Intercos pays particular attention to the protection of consumers in all phases of the production process, from the selection of the raw materials to the formulation of the products, from their production to their packaging.

The selection of the ingredients is performed in compliance with both current regulations high quality standards. In addition, the company is committed to respecting the requests of its customers, who communicate any ingredients that they wish to avoid, in line with their own specific policies.

In order to be selected and purchased, all the raw materials offered by the suppliers are accompanied by an extensive documentation aimed at guaranteeing their technical characteristics, quality and safety. In particular, this documentation includes: the material safety data sheet, the technical information sheet, details on the composition of the substance, the certificate of origin, the declaration of conformity

to the REACH regulation, as well as specific information related to the type of material (for example, the declaration of purity for pigments, the declaration of absence of asbestos for talc, etc.). The new raw materials, before they can be codified and used in the production process, must be tested in the laboratory and approved.

During the formulation process and before production at scale, all products are subject to a series of tests, depending on the category they belong to and the specific tests requested by the customer:

- **Stability test:** it is performed on all new cosmetics and cosmetic products subject to change; it assesses how the quality of the product varies with time under the influence of a number of environmental factors (for example, temperature, humidity and light), in order to establish the shelf life of the product and collect the information required to get the Authorization for Product Release in the different export regions;
- **Challenge test:** it is carried out according to the ISO approach following a preliminary positive evaluation of the product's stability (after about one month); it evaluates the antimicrobial efficacy of the preservatives, both on a preliminary batch and, following a possible positive outcome, on a lot with a reduced content of preservatives;
- **Patch test:** it is performed to test any product's irritation effects on the skin;
- **Microbiological in use test:** it is performed on certain product categories (when the product is in contact with a particular delivery systems) and possibly on other products upon customer requests to determine the microbiological stability of the product if its use includes an application that can contribute to the potential growth of bacteria;
- **Ophthalmologic use test:** it is performed on products intended for the eye area, in particular mascara, eyeliner and kajal;
- **Dermatological use test:** it is performed to test facial and lips products, exclusively upon customers' requests;
- **Test for determining the sun protection factor,** carried out on products that contain sunrays filters and when the client wants to declare a sun protection factor for the product (both UVB and UVA).

Depending on the claims that the customer wants to make on the product, specific tests and studies are carried out to support them.

Consumer protection through correct products information

In order to guarantee and document that the products complies with the requirements of European and international applicable legislations in terms of composition, safety and stability, the Regulatory Affairs Office, which is centralized at Group level, is responsible for the collection and evaluation of all data on the conformity of raw materials and cosmetic products with respect to current legislation, as well as for the preparation of the technical documentation necessary for the customers to sell the products and to respond to potential requests from the authorities. The Regulatory Affairs Office, in fact, prepares the PIF (Product Information File), which is a collection of all the technical information available about the product and consists of the following main documents: quali-quantitative information on the formulation and ingredients, product specifications (bulk), specifications of raw materials, processing procedures, stability / compatibility results, safety tests results (including patch tests, challenge tests, microbiological in use test if necessary, ophthalmologic use tests if necessary), product safety assessment (CPSR - Cosmetic Product Safety Report) and finally all the tests that support particular claims (for example the test results for the determination of the sun protection factor, if necessary).

Product safety is strictly connected to product quality. As a demonstration of the primary importance given by the Intercos Group to ensuring product quality through its business development strategies, the company has adopted a Corporate Quality Management System (CQMS) for the unitary management of the quality system for all companies in the Group. In addition, the following companies have received the ISO 9001 certification on quality management along the production cycle: Intercos S.p.A., Intercos Europe S.p.A and Drop Nail S.r.l. in Italy; C.R.B. S.A in Switzerland, Intercos America Inc. in the USA,

Intercos Technology Co. Ltd, Intercos Cosmetics Co. Ltd, Intercos Technology (SIP) Co. Ltd and Interfila Cosmetics (Shanghai) Co. Ltd. in China.

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

During the years 2016 and 2017, all the tests foreseen by the Intercos protocol have been performed on all the formulas (formula scheme).

It should also be noted that in 2016 and 2017, no episodes of serious undesirable effects pursuant to EU regulation 1223/2009 were reported, nor were any cases of non-compliance with respect to the dissemination of information and the labelling of products.

Methodological note

Intercos Group's Consolidated Disclosure of Non-financial Information has been prepared in accordance with the Legislative Decree 254/2016 regarding the disclosure of non-financial and diversity information by certain large undertakings and public-interest entities.

The purpose of this document is to ensure a complete understanding of the company's business model, policies, main risks and key performance indicators on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters that are relevant considering the Group's activities and characteristics.

Relevance analysis

In order to identify the aspects that are relevant to the Group, the company has performed a relevance analysis that allowed it to identify the main stakeholders' pressures and the corporate priorities, in relation to the five areas set out in the Decree.

The analyses performed are:

- Analysis of global sustainability trends: mapping of the main non-financial aspects considered by: the stock exchanges that published guidelines for sustainability reporting, sustainability rating (DJSI, MSCI, etc.), international organizations (GRI, World Economic Forum, etc.) and governments (UE policies, UN reports, etc.).
- Analysis of sector pressures: mapping of the main non-financial aspects that are relevant for the Cosmetic industry. Particularly, the company analyzed the publications from international organizations (RobecoSam, SASB, etc.) and by sector associations (Cosmetics Europe, Federchimica, etc.).
- Analysis of the company priorities: the main aspects related to the five areas mentioned within the Decree have been identified through interviews and by analyzing the corporate documents (Code of Ethics, Code of Conduct, etc.).

The overall results of these analyses led to the definition of the most relevant non-financial aspects necessary to ensure a complete understanding of the company's activities, development, performance and impacts. The relevant aspects are subject to reporting within Intercos' NFI.

Areas of the D.Lgs 254/2016	Relevant aspect	Aspect boundary	
		Internal	External
Environmental matters	Materials	Group	
	Energy	Group	
	Water	Group	
	Effluents and waste	Group	
	Emissions	Group	Suppliers The reporting is not extended to the external boundary
	Environmental compliance	Group	
	Suppliers' selection according to environmental criteria	Group	
Respect for human rights	Suppliers' selection according to social criteria	Group	
	Occupational health and safety	Group	Contractors and Suppliers The reporting is not extended to the external boundary
Employee matters	Employment	Group	
	Training and education	Group	
	Diversity and equal opportunities	Group	
	Non-discrimination	Group	
Social matters	Customer health and safety	Group	
	Marketing and labelling	Group	
	Socio-economic compliance	Group	
Anti-corruption and bribery matters	Anti-corruption	Group	

Reporting scope and standard

The reporting scope, in accordance with the requests of the Decree, coincides with the scope of the Consolidated Financial Statements, i.e. includes all companies consolidated line-by-line in the financial reporting, with the exception of some indicators for which the limitations of the reporting perimeter are reported directly in the text. In August 2017, the Intercos Group acquired Cosmint Group. Therefore, all data for the year 2017 include the companies belonging to Cosmint Group: Cosmint Group S.p.A, Cosmint S.p.A, and Sodisco S.r.l in Italy and Tatra Spring Polska sp. Z o.o. in Poland (Rest of Europe). The reporting year is 2017. The data related to Cosmint Group is integrated for all 12 months of the reporting year.

The reporting standard adopted by Intercos for the preparation of its NFI is the GRI Sustainability Reporting Standards (hereinafter also GRI Standards), published in 2016 by the GRI - Global Reporting Initiative. In particular, according to the provisions of the Standard GRI 101: Foundation, paragraph 3, a reference to the Reporting Standards disclosed is made in the following Content Index according to a "GRI-referenced" approach.

GRI Standard	Disclosure	Description	Page	Omission
GRI 102: General Disclosures				
	102-13	<i>Membership of associations</i>	<i>Pagg. 21,26</i>	
	102-15	<i>Key impacts, risks, and opportunities</i>	<i>Pagg. 12, 19, 24, 29, 32, 34, 36</i>	
	102-8	<i>Information on employees and other workers</i>	<i>Pag. 9</i>	
	102-18	<i>Governance structure</i>	<i>Pagg. 10-11</i>	
	102-41	<i>Collective bargaining agreements</i>	<i>Pag. 9</i>	
GRI Standard	Disclosure	Description	Page	Omission
Material topics				
GRI 200 Economic Standards Series				
Anti-corruption				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 34, 39-40</i>	
	103-2	<i>The management approach and its components</i>	<i>Pagg. 34-35</i>	
GRI 205 – Anti-corruption	205-3	<i>Confirmed incidents of corruption and actions taken</i>	<i>Pag. 35</i>	
GRI 300 Environmental Standards Series				
Materials				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 24, 39-40</i>	
	103-2	<i>The management approach and its components</i>	<i>Pagg. 23, 24-28</i>	
GRI 301 – Materials	301-1	<i>Materials used by weight or volume</i>	<i>Pag. 27</i>	
Energy				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 29, 39-40</i>	
	103-2	<i>The management approach and its components</i>	<i>Pagg. 23, 29-30</i>	
GRI 302 – Energy	302-1	<i>Energy consumption within the organization</i>	<i>Pag. 30</i>	
Water				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 32, 39-40</i>	
	103-2	<i>The management approach and its components</i>	<i>Pag. 23, 32</i>	
GRI 303 – Water	303-1	<i>Water withdrawal by source</i>	<i>Pag. 32</i>	
Emissions				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 29, 39-40</i>	
	103-2	<i>The management approach and its components</i>	<i>Pagg. 23, 29-31</i>	
	305-1	<i>Direct (Scope 1) GHG emissions</i>	<i>Pag. 30, 43</i>	
GRI 305 – Emissions	305-2	<i>Energy indirect (Scope 2) GHG emissions</i>	<i>Pag. 31, 43</i>	
	305-7	<i>Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions</i>	<i>Pag. 31</i>	
Effluents and waste				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 24, 39-40, 32-33</i>	
	103-2	<i>The management approach and its components</i>	<i>Pagg. 23, 25-26, 32-33</i>	
GRI 306 – Effluents and waste	306-1	<i>Water discharge by quality and destination</i>	<i>Pag. 33</i>	
	306-2	<i>Waste by type and disposal method</i>	<i>Pag. 28</i>	
Environmental compliance				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	<i>Pag. 23, 39-40</i>	

GRI Standard	Disclosure	Description	Page	Omission
	103-2	<i>The management approach and its components</i>	Pagg. 23, 24-26; 29-30; 32	
GRI 307 – Environmental compliance	307-1	<i>Non-compliance with environmental laws and regulations</i>	Pag. 23	
Supplier environmental assessment				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 24, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 20, 23, 24, 27-28	
GRI 308 – Supplier environmental assessment	308-1	<i>New suppliers that were screened using environmental criteria</i>	Pag. 27-28	
GRI 400 Social Standards Series				
Employment				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 12, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 12, 13-14	
GRI 401 – Employment	401-1	<i>New employee hires and employee turnover</i>	Pag. 13-14	
Occupational health and safety				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 19, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 19-20	
GRI 403 – Occupational health and safety	403-2	<i>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</i>	Pag. 21-22	
Training and education				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 12, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 12-13, 15-16	
	404-1	<i>Average hours of training per year per employee</i>	Pag. 15	
GRI 404 – Training and education	404-3	<i>Percentage of employees receiving regular performance and career development reviews</i>	Pag. 16	
Diversity and equal opportunity				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 12, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 12, 17-18	
GRI 405 – Diversity and equal opportunity	405-1	<i>Diversity of governance bodies and employees</i>	Pag. 17	
	405-2	<i>Ratio of basic salary and remuneration of women to men</i>	Pag. 18	
Non-discrimination				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 12, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 12, 17-18	
GRI 406 – Non-discrimination	406-1	<i>Incidents of discrimination and corrective actions taken</i>	Pag. 18	
Supplier social assessment				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 19, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 19-20, 22	
GRI 414 – Supplier social assessment	414-1	<i>New suppliers that were screened using social criteria</i>	Pag. 22	
Customer health and safety				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 36, 39-40	
	103-2	<i>The management approach and its components</i>	Pagg. 36-38	
GRI 416 – Customer health and safety	416-1	<i>Assessment of the health and safety impacts of product and service categories</i>	Pag. 38	
	416-2	<i>Incidents of non-compliance concerning the health and safety impacts of products and services</i>	Pag. 38	
Marketing and labeling				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 36, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 36-38	
GRI 417 – Marketing and labeling	417-2	<i>Incidents of non-compliance concerning product and service information and labeling</i>	Pag. 38	
Socio-economic compliance				
GRI 103 – Management Approach	103-1	<i>Explanation of the material topic and its Boundary</i>	Pag. 36, 39-40	
	103-2	<i>The management approach and its components</i>	Pag. 36-38	
GRI 419 – Socio-economic compliance	419-1	<i>Non-compliance with laws and regulations in the social and economic area</i>	Pag. 38	

Reporting Process and Calculations Methodology

The definition of the NFI contents involved all the business functions that are responsible for the aspects reported in the NFI.

The main methodologies used for the calculations are reported below:

- the ratio between the remuneration received by men compared to that of women was calculated by adding to the base salary the figures related to the Management By Objectives (MBO) paid in the year on the basis of the cash criterion. The remuneration was calculated only for Executives and Managers, which are the only categories that can fully benefit from this type of incentive. In fact, some functions among the Employees category fall within the incentive plan but they are not representative of the whole category;
- the injury rate is the rate between the total number of injuries with absences exceeding one day and the total number of worked hours, multiplied by 1,000,000; the commuting injuries are excluded from the calculation of the injury rate;
- the lost day rate is the rate between the total number of lost days and the total number of hours scheduled to be worked, multiplied by 1,000;
- lost days represents the calendar days lost from the day after the injury;
- the absenteeism rate is the ratio between the days of absence during the reporting period and the total number of workable hours in the same period;
- for environmental data, if not available, conservative estimations have been performed, choosing hypotheses associated with the least positive environmental performance for the company;
- the calculation of greenhouse gas emissions has been carried out according to the principles of the international standard ISO 14064-1.
- the emission factors used to calculate the CO₂ emissions reported in this NFI are as follows:
 - **Direct scope 1 emissions:** for the heating of the offices and plants with natural gas and for the fuel used by the company owned cars, the emission factor taken into account was taken from the table of national standard parameters (valid for the calculation of emissions from January the 1st, 2017 to December the 31st, 2017) published by the Ministry for the Environment and Protection of the Territory and the Sea; for the refrigerant gas losses of the air conditioners, the GWP by IPCC, 2013: Climate Change 2013: The Physical Science Basis was used;
 - **Energetic indirect scope 2 emissions:** for electricity purchased from the national electricity grid, the emission factor was taken from Terna's international comparisons on Enerdata data - 2015 data.

The Board of Directors of Intercos S.p.A. has approved this NFI on March the 27th, 2018. In addition, this document has been subject to limited assurance by EY S.p.A. in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised).

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree 254/2016 and with article 5 of Consob Regulation adopted with Resolution 20267 (Translation from the original Italian text)

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

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree 30th December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Intercos S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2017 in accordance with article 4 of the Decree approved by the Board of Directors on 27th March 2018 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or non-intentional behaviors or events.

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

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

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

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes

documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

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

With regards to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 4. a) below.

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

In particular, we have conducted interviews and discussions with the management of Intercos S.p.A. and with the personnel of Intercos Technology (SIP) Co., Ltd and Intercos Europe S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

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

- at Group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the site of Dovera of the Intercos Europe S.p.A. and for the site of Suzhou (China) of the Intercos Technology (SIP) Co., Ltd, that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Intercos Group for the year ended on 31st December 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph “Methodological Note” of the DNF.

Other Information

The comparative information presented in the DNF for the year ended on 31st December 2016 has not been examined.

Milano, 5th April 2018

EY S.p.A.

Signed by: Paolo Zocchi, Partner

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