

**2017**  
*Sustainability*  
*Report*

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

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

*2017  
Sustainability  
Report*



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Dear readers,

Sustainability and Corporate Responsibility represent core pillars to our Group and, in this second edition of our Sustainability Report, we collect all the commitments of our company concerning environmental and social aspects, together with governance transparency. We want to share both our achievements and our future ambitions.

Dedicating a constant effort in building a responsible approach towards the environment and our people has always been a founding principle at Perfume Holding. Our actions support our beliefs: in order to guarantee an economic growth, which is both aligned with our values and respectful to our stakeholders and the environment, we established solid guidelines for our conduct. We obtained and updated a UNI EN ISO 14001 certification, updated our Code of Ethics, an Environment, Health and Safety, Corporate Social Responsibility policy that, shared with all our people, have been guiding our business throughout many years.

As a clear evidence of such commitment, the Group formalised, in 2016, its adherence to ten United Nations Global Compact

principles concerning the respect of human rights and workers, environmental protection and fight against corruption. The adherence to this initiative is not a mere statement of intent, but embodies the pledge of our day-by-day activities.

We took up some of the seventeen Sustainable Development Goals identified by the United Nation in its 2030 Agenda for Sustainable Development.

With our work, we do our utmost in order to promote a long-lasting, inclusive and sustainable economic growth by fostering full and productive employment and decent work for all (SDG 8). We support gender equality as well as women and girls' empowerment (SDG 5) and reducing disparity (SDG 10).

We work in full respect of the environment and promote sustainable production and consumption patterns (SDG 12), we adopt tangible actions in order to fight climate change and its impacts (SDG 13).

To this end, the company introduced, in 2017, concrete measures that ensure the continuous improvement of environmental performance, not only concerning productive processes, but also at Research

and Development and design stages. For our Group, showing respect for the environment is a distinctive aspect throughout the whole value chain.

For the coming year, the company is working, together with other local enterprises, on the realisation of the "Green Kilometer", a green area (for a total length of 11 kilometers) along the highway adjacent to our factory. The project will contribute to mitigating the environmental impact produced by traffic, by reducing greenhouse gas emissions thanks to the planting of anti-smog trees and bushes.

This Sustainability Report reflects all the principles and commitments that our Group has supported through the years and will continue promoting with determination and courage. We believe, in fact, that sustainability is our only option if we aim at nurturing a resilient economy and an increasingly fair and inclusive society.

*Giovanni Borri*  
Chairman

## 1.1 2017 Company Highlights

7

**13** brands

**360°** integrated approach to sustainable business

**€ 68.3 million** 2017 revenues

Distribution in **89** countries

**55k pieces/day** production capacity

**191** employees

**24** training courses on HSE aspects

**76%** women

**75%** of the workforce based in Parma

**60.2%** of waste sent to recovery plants

**405.1** tCO<sub>2</sub>eq GHG emissions

**3.6%** reduction in electricity consumption

# 1. About the Group

## 1.2 Our Sustainability Approach

The concept of sustainability has, in recent years, profoundly influenced and shaped the way companies approach their business, understand their positive and negative impacts on the environment and society, and define success. While always being aware that a company's economic performance cannot be disconnected from the ecosystem in which it exists, and committed to ensuring high standards of social and environmental performance, in 2016 Perfume Holding decided to embark on a journey towards the achievement of ambitious corporate sustainability objectives, by publishing its **first Sustainability Report** and by becoming a member of the United Nations Global Compact. This year, Perfume Holding continues along this journey, energized by the lessons learned, the objectives achieved, and the ambitious goals that wait ahead. In particular this report aims to give a clear picture of the Group's 360° approach to sustainability, the

main internal and external initiatives the Group has implemented, and the positive impact generated for society.

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

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

of the results of an industry benchmark and the GRI Sustainability Reporting Standards.

Subsequently, both internal and external stakeholders were surveyed in order to evaluate and prioritize the topics based on their relevance to the Group and to its key stakeholders.

Finally, these topics were mapped to create the **materiality matrix** which represents on the x-axis the relevance of the topics for Perfume Holding, and on the y-axis their relevance for the stakeholders.

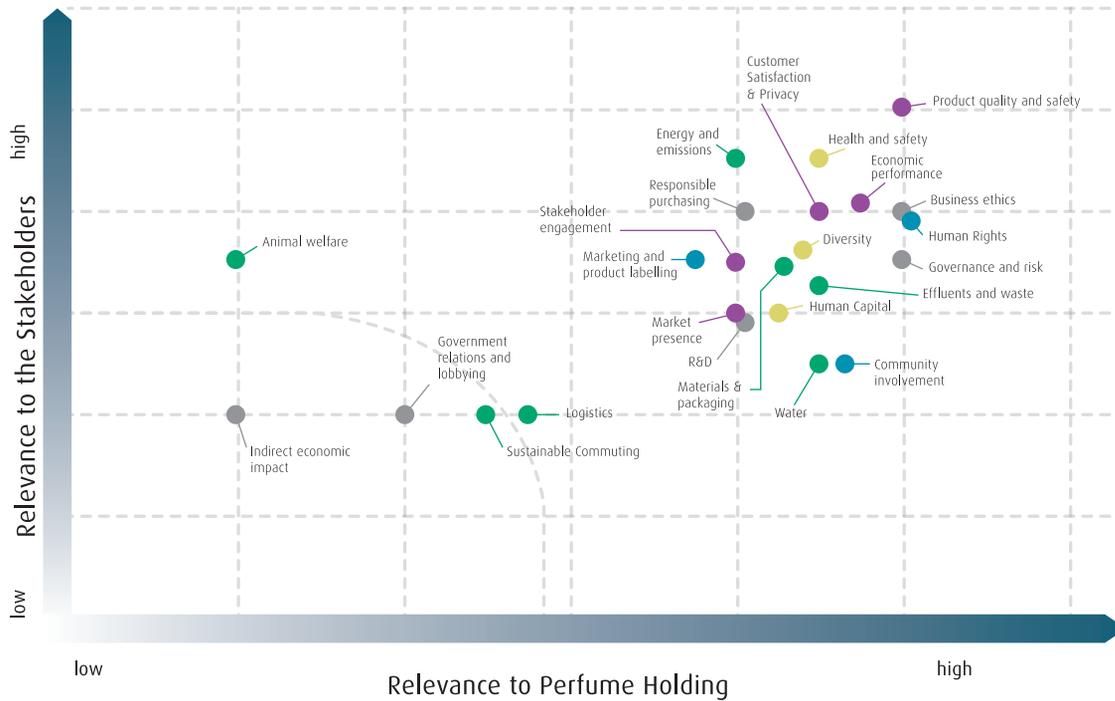
The picture emerging from the matrix serves as a tool for defining the Group's sustainability strategy, hence the aspects that are covered within the Sustainability Report.

Compared to the previous year, no changes were performed to the stakeholder map identified before.

Instead, the materiality matrix was slightly updated in order to better align it to emerging sustainability trends in the cosmetic industry.

### Stakeholder Mapping





The most relevant topics, presented in the top-right corner, mostly relate to product quality, business responsibility, the environment and occupational health & safety. These topics reflect Perfume Holding’s priorities and its commitment to its customers, its people, and the environment, and are therefore the focus of this Report. The topics that fall below the dashed line are classified as not relevant to the Group’s core business.

potential impact of its products throughout their entire life cycle. In addition, the topic “diversity and equal opportunities”, which was previously considered part of “human capital”, has been added as a separate topic in order to align the materiality matrix to the current sustainability megatrends. The topic “logistics” was also added, illustrating how the Company has begun considering its impacts beyond its internal perimeter.

Compared to 2016, the topic “materials and packaging” has gained relevance in the eyes of the Group and its stakeholders, due to the increased attention paid by the Company to the

The matrix will continue to be periodically reviewed and updated to ensure it fully reflects the Group’s sustainability priorities, critical issues and future opportunities.

- Environmental performance
- Social performance
- Employees
- Economic performance
- Product performance

# 1. About the Group

### Perfume Holding's Sustainability Journey

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

2017

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

2016

- Perfume Holding becomes a signatory of the UN Global Compact in 2016 and defines its commitment towards its 10 principles.

2015

- Morris Profumi S.p.A. earns the "**Silver Recognition Level**", ranking among the top 30% of performers evaluated by EcoVadis<sup>1</sup>.
- For the first time, Perfume Holding includes non-financial information into the 2015 Annual Report, in order to provide stakeholders an overview of its sustainability approach.

2013

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

2007

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

#### UN GLOBAL COMPACT

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

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



<sup>1</sup> EcoVadis is a collaborative platform that rates sustainability performance of companies based on CSR policies and supply chain management.

### 1.3 Perfume Holding and its Corporate Governance

Perfume Holding is an international Group that offers a unique integrated approach to meeting its clients' needs along the whole value chain, from the creation to the production and distribution of perfumes.

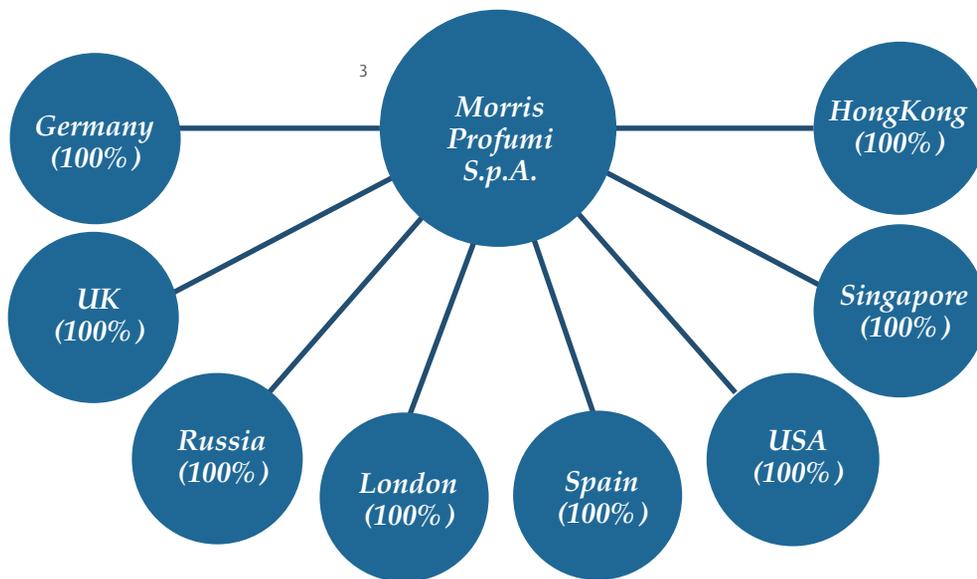
Driven by creativity and passion, the Group boasts a prestigious portfolio<sup>2</sup>, consisting of proprietary brands such as Atkinsons London 1799, I Coloniali, English Garden and Morris, as well as licensed brands like Dirk Bikkembergs, Fer-

rari, Iceberg, Liu Jo, Sergio Tacchini and Fiat 500.

Perfume Holding's corporate goal is to be the leader in the niche and selective segment of perfumes and cosmetics markets.

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

Perfume Holding's operations are mainly based in Italy where the following departments are located: R&D, Regulatory Affairs, Quality Control, Manufacturing and Production, Sales, Finance, Marketing and Creation. Products are distributed in over 80 countries, with representative offices in the U.S.A., United Kingdom, Germany, Italy, Russia, United Arab Emirates, Singapore, Hong Kong and Spain.



The Group is indirectly owned by a fund managed by Investindustrial, a leading European investment and advisory group.

<sup>2</sup> A more detailed description of the Product Portfolio can be found in the Group's 2017 Annual Report

<sup>3</sup> The Group Morris Profumi is also commercially known as Perfume Holding. Instead, the reference "Morris Profumi S.p.A." solely refers to the parent company.

### 1.3.1 Corporate Governance

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

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

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

Directors in 2013 and shared throughout the Group. The Code of Ethics represents the set of ethical values and standards of conduct, already deeply rooted in the Group's culture, on which people working for the Group should base their activities. The Code of Ethics is an instrument designed to preserve the values and the integrity of the company over time, in particular the values of legality, integrity, transparency, and impartiality, and represents a set of positive principles and standards the Group has chosen to adopt as a concrete expression of its commitment in its relations to all stakeholders.

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

tory activities have been carried out for the construction of a risk prevention and management system in line with the provisions of Legislative Decree 231/2001<sup>4</sup>.

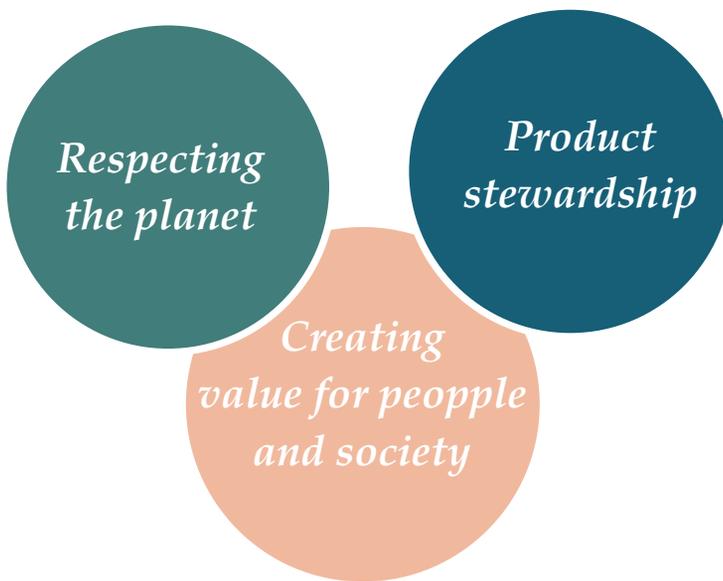
As a result of Perfume Holding's attention to these topics, no incidents of discrimination or corruption were recorded in 2017.

<sup>4</sup> More information is provided within the Code of Ethics and the 231 Model (both available on the website)

## 1.4 Perfume Holding's priorities

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

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



*The year 2017 in brief*

### *Product stewardship*

More than **500 new preliminary formulas** tested  
*Development of new skincare products*

*Creating value for people and society*

**22.5 tons** of products **donated to charity**  
 More than **1000 hours of employee training**, including more  
**than 500 hours of training on quality management**

*Respecting the environment*

**60.2%** of waste generated sent to recovery plants  
**3.6% reduction** in electricity consumption thanks to the  
 replacement of traditional lighting systems with LED solutions

### *2.1 Products' environmental responsibility*

The art of perfumery and the creation of beauty care products are simultaneously one of the most ancient forms of craftsmanship and one of the most innovative sectors today. On one side of the spectrum are traditional beauty remedies and ingredients passed down through generations; on the other, are highly sophisticated research and development studies based on molecular science. At Perfume Holding, we are becoming increasingly aware of the power of natural active ingredients, but also of the potential of new technologies to amplify and replicate such beneficial effects, often with a lower environmental impact. Central to our work, is ensuring that we design, produce and commercialize high quality products that are optimal for consumers' use while also being increasingly respectful of the environment, from the strategic selection of the materials used, to the design of the production

processes entailed, to the creation of the final packaging.

To this end, in 2017, Morris Profumi introduced a new Product Life Cycle Assessment (LCA) Procedure, with the goal of incorporating key environmental criteria during the design and development of new products, in order to encourage the selection of materials and suppliers that are in line with the Group's environmental performance objectives. The Procedure entails the completion of a checklist which includes, among others: information on whether the supplier selected offers after sales services to reuse and/or recycle the products sold (e.g. packaging), whether the product packaging has been designed to facilitate its reuse/recycling, whether alternative ingredients have been considered in order to lower the use of potentially hazardous substances, whether the product contains reused/recycled components, whe-

ther an eco-label could be applied, etc.

In 2017, the Product Life Cycle Procedure was performed for the first time on the new perfume FIAT 500, which achieved a good score in terms of environmental performance thanks to the use, for example, of recyclable materials (except for the glass attached to the bottle pump) and of FSC certified paper packaging. Since 2017, the Procedure will be applied to all new and improved products.

The environmental performance of a few product lines – in particular, Atkinsons scrub creams - has also been improved, in this case by substituting the scrubbing micro-plastic material with natural and bio-degradable ingredients. In addition, in 2017, the Company proceeded with the replacement, in some formulas, of silicon oils with vegetable derived oils, in order to prevent the potential negative impact of silicon oils on the environment and on aquatic animals.

The substitute oils, derived from olives and Brassica Campestris, are readily biodegradable and thus have a negligible impact on the environment compared to the silicon ones, in addition to offering precious properties for the skin.

For the coming years, Perfume Holding commits to continuing and to amplifying its environmental performance, by researching new solutions and market opportunities for eco-products. To this end, in 2017, Morris Profumi began to carry out an internal engagement process with all employees, in order to evaluate the potential demand for eco-friendly products, as well as to raise awareness on products' environmental sustainability within the Company. In 2018, the Company committed to progressively expand this engagement process to its external stakeholder.

15

## 2. Product stewardship

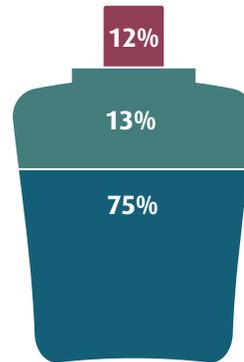
### What's inside your perfume?

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

water. In 2017, 462 tons of alcohol and 76 tons of essence were used in the production plant. Furthermore, around 82 m<sup>3</sup> of wa-

ter were also used for the preparation of fragrances in 2017.

Average components of a perfume



● alcohol      ● water      ● essence

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

material in order to ensure they undergo a recovery process. The company is committed to eliminating secondary packaging of certain product lines in order to reduce paper and cardboard consumption. The reduction in packaging size is also very important for the Group, and products' packaging design has become a central component of our Products Life Cycle Assessment procedure

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

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

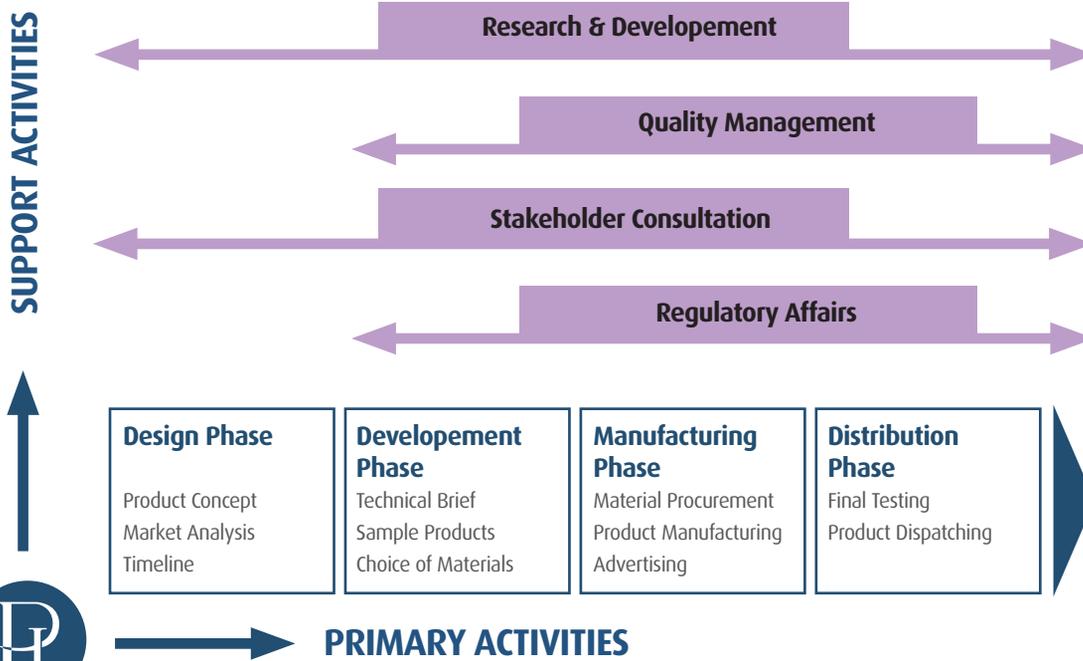
### 2.2 An integrated value chain

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

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

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

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



360° Integrated Approach<sup>5</sup>

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

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

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

In 2017, a total of 108 suppliers (72%) have been assessed, which is a 21% increase over 2016, and the Group is committed to extending the process to 100% of suppliers. In addition, main suppliers and subcontractors are also required to sign Perfume Holding's Code of Ethics and operate in compliance with its principles.

## 2. Product stewardship

<sup>5</sup> A detailed description of the Integrated Approach can be found in the Group's 2017 Annual Report

## 2.3 Quality and safety for customers

100%  
of products are  
compliant with  
relevant EU  
regulations

One of Perfume Holding's key priorities is offering high quality and safe products to customers. 100% of products are compliant with relevant European regulations and are assessed for health and safety impacts by qualified external safety experts before being launched into the market.

The product **safety assessment** process requires expert knowledge with respect to the product composition, the chemical and physical properties of the ingredients, the manufacturing process and the method of application of the product. All the data needed for safety assessment is kept by the Regulatory Affairs department as part of the Production Information Forms (PIFs) and Cosmetic Product Safety Reports (CPSRs).

The experts undertaking the assessment combine their in-market experience with best available techniques in order to perform proper safety evaluations. Relevant information is also collected from the distributors of the products, as they have useful sales and market information.

The main steps of a safety assessment are:

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

No episode of non-compliance relating to product quality and safety has been reported in 2017. Morris Profumi S.p.A. de-

monstrated its commitment to continuous quality improvement by obtaining the ISO UNI EN 22716:2008 certification in June 2013. ISO UNI EN 22716:2008 is a harmonized standard and guideline for Good Manufacturing Practices (GMP) in the cosmetic sector. The application of such standards allows one to comply with provisions of the European regulation 1223/2009 governing the composition, labelling and packaging of finished cosmetic products and ensuring a high degree of safety, transparency and objectiveness of product information. Holding the ISO UNI EN 22716:2008 certification requires having a Quality Assurance System that, in order to maintain product warranty and safety, guarantees high quality and security of finished products through various procedures, such as: process mapping; criticality monitoring; internal and external planned audits in order to verify the compliance of the processes; and employee training in line with Standard Operating Procedures (SOP). The Standard also certifies compliance with GMP throughout the whole supply chain.

Morris Profumi S.p.A. is the first company in the perfume manufacturing industry to obtain the ISO UNI EN 22716 certification by DNV Business Assurance in Italy. Being certified implies the entire staff is working towards a common target and is aware of the importance of quality policies and procedures as well as

their impact on everyday operations and customers' health. To this end, in 2017, Morris Profumi offered 523 hours of training related to its Quality Management System, mostly to its blue collar workers (440 hours), to ensure employees respect Good Manufacturing Practices guidelines throughout all steps of the value chain,

from stocking to production to product recalls.

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

## 2.4 Product Innovation and R&D

The research and development (R&D) laboratory of Perfume Holding is characterized by a strong passion for science and intuition for creativity.

The mission of the R&D department is to fulfil the continuously increasing requests of customers who see cosmetics as an integral part of their daily life. The creation of new product formulas is a meticulous process: in order to define the perfect formula, adjustments need to be made ingredient by ingredient until the perfect outcome is achieved.

Working in the laboratory, with the use of cutting-edge resources, the scientists explore the materials offered by the market and follow a set of criteria in order to choose the best ingredients to use.

When possible, suppliers of primary resources are chosen according to their commitment to social and environmental responsibility. For example, suppliers with certifications attesting product traceability and high levels of working conditions are prioritized for the procurement of ingredients.

The R&D lab also cooperates with external partners to translate scientific discoveries into healthy skincare products.

In 2017, Perfume Holding has continued in its collaboration with the University of Pavia to develop innovative formulas for a new generation of "I Coloniali" skincare products, in which scientific excellence is mixed with the knowledge of traditional herbs and spices.

More than  
**500**  
preliminary  
formulas for  
product  
development

**49**  
formulas  
approved for  
product launch

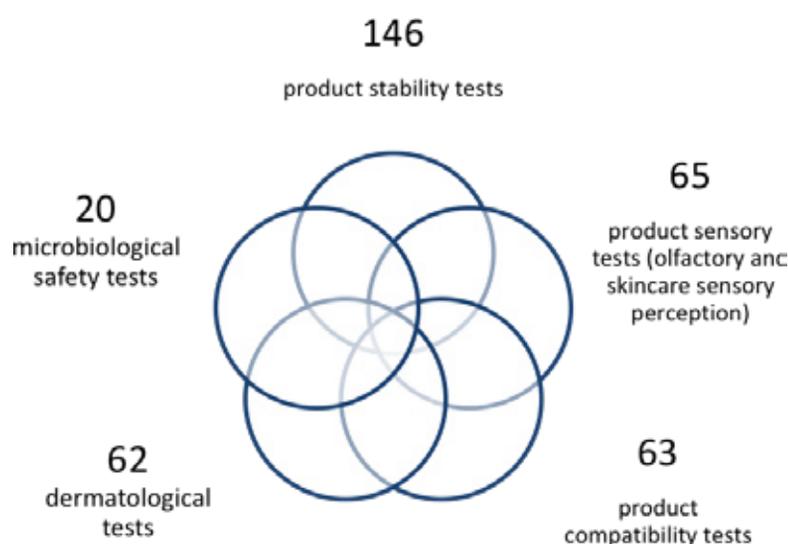
**28**  
formulas  
produced in  
2017

# 19 2. Product stewardship

The R&D lab develops and tests hundreds of product formulas every year. These formulas undergo several stages before being approved for production and launch. In 2017, around

500 preliminary product formulas were tested for new product development, out of which 49 formulas were approved for production and 28 effectively produced, after undergoing

several testing phases<sup>6</sup>. The remaining 21 will be evaluated for future production. The tests managed by the R&D lab are represented in the following figure:



### 2.5 Animal welfare

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

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

These laws are in line with the values of Perfume Holding, which tests all ingre-

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

### 2.6 Labeling and packaging

Perfume Holding ensures customers have access to accurate and adequate information on the products and services they consume, both from a product labeling and a marketing com-

munication perspective. Fair and responsible communication, transparency on product composition and their proper use and disposal allow customers to make informed choices.

Perfume Holding's internal policy on labeling and packaging is defined and supervised by the Regulatory Affairs department and is periodically updated. Products, product packag-

<sup>6</sup> For more detailed data and information regarding the R&D lab activities in 2017, please refer to the Group's 2017 Annual Report.

ing and product labeling are compliant with all relevant European regulations applicable to the industry and contain all necessary information to sell products worldwide, including Asia, Russia, Far East, Middle East, and South America. Required product information includes product components, content, and safe use and disposal of the product. Distributors must check the packaging of the products and verify that the required information is illustrated on the label, in the language required under the applicable national law.

Furthermore, all of Perfume Holding's fragrances are compliant with the Standards of the International Fragrance Association (IFRA Standards), a globally accepted and recognized risk management system for

### 2.7 Complaints management

Perfume Holding keeps customer care and product quality at the top of its agenda. In 2017 the percentage of reclaimed products and their packaging material was below 1% and no product batches were taken off the market. Customer complaints are managed through an internal Standard Operating Procedure (SOP) for complaint management as required by ISO UNI EN 22716:2008

the safe use of fragrance ingredients. The Standards represent a self-regulating framework of the industry, based on risk assessments carried out by an independent Expert Panel.

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

For packaging in direct contact with the cosmetic product, specific regulatory verifications are carried out.

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

and ISO UNI EN 9001:2005, which include procedures for quality management, customer satisfaction and guidelines for complaints handling in organizations.

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

- **Regulation 1223/2009** of the European Parliament governing the composition, labeling and packaging of finished cosmetic products in the European Union. The regulation was adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals.

- **Directive 94/62/EC** of the European Commission on packaging and packaging waste.

- **REACH (EC 1907/2006)** regulation on the use of chemicals.

- **Directive 75/324/EEC** regarding aerosol dispensers.

- **Regulation (EC) No. 1272/2008** on labeling and packaging of substances and mixtures.

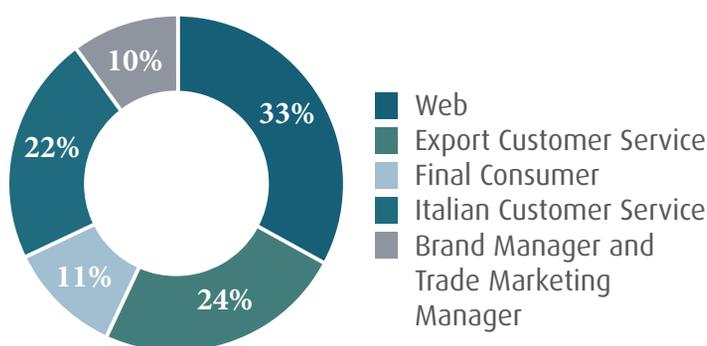
dence, loyalty and satisfaction.

In particular, the complaint management process allows Perfume Holding to provide a transparent and responsive complaint management process; enhance its ability to resolve complaints in a consistent, systematic and responsive manner and to identify trends and eliminate causes of complaints through a

customer-focused approach. End-users can directly contact Perfume Holding and the company's internal policy requires all signals to be singularly addressed within 24 hours by the Quality Assurance division. Each filed complaint is assessed for non-compliance with regulations and/or voluntary codes. As prescribed by the internal policy, all complaints are analyzed and corrective or preventative actions are taken if required, in alignment to the quality continuous improvement system.

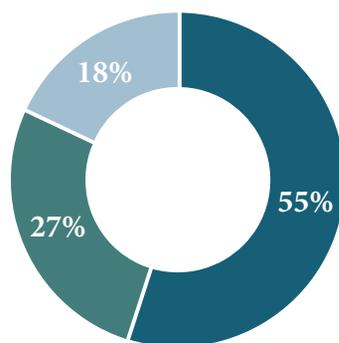
The nature of complaints in 2017 was in line with previous years and, compared to 2016, the number of complaints and signaling was decreased by 36%. For what concerns the source of signaling, in 2017 they were aligned to the previous year and distributed as illustrated in the following graph: The percentage of com-

Source of signaling (2017)



plaints classified as technically founded was around 45%. The severity of the technically founded complaints was also aligned to previous years, as illustrated below:

Severity of the technically-funded complaints (2017)



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

Complaints filed for reasons that are not related to technical defects are also addressed by Perfume Holding, classified as "unfounded". These types of complaints allow to understand how certain customers actually perceive the products and services offered by the company and take preventative actions. In 2017, the percentage of unfounded complaints was 55%, in line with 2016.

For what concerns privacy, all personal data which identifies the final consumer is censored in accordance with the classification of the internal code. Personal data includes: name and surname, email address, telephone number and any data that could identify the final consumer. Moreover, the email addresses of complainants are accessible solely to the defined internal reference person. During 2017, Perfume Holding received no complaint concerning breaches of customer privacy and losses of customer data.

The dedication, passion and skills of the people working at Perfume Holding are the main features that reinforce the capacity of the company to innovate and to achieve excellence. Perfume Holding is fully aware that the sustainable value it is able to generate relies, to the largest extent, on the relationship it built over the years with its people and the local community in which it operates.

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

Perfume Holding also relies on the society and the local community it is supported by, conscious that the value generated and distributed to its surroundings will generate and feed a virtuous circle, from which the company will benefit, too. Given such premises, the value generated for employees and society is one of the key focus areas that guide Perfume Holding's sustainable pathway.

### 3.1 Employees

Considering its workforce a fundamental and strategic factor for the achievement of the company's business objectives, Perfume Holding continuously protects and values its staff. The aim is to keep improving and broadening their professional skills, while creating a fulfilling and rewarding working environment and increasing their sense of belonging to the company. As of December 31<sup>st</sup> 2017,

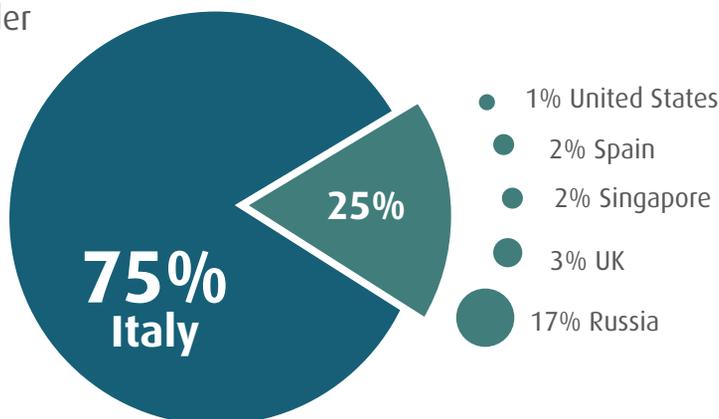
the Group employed 191 people. The Group's personnel is mainly located in Italy (75%), where the parent company has its headquarter; the remaining employees are distributed across Russia, UK, Spain, Singapore and the United States. The Italian workforce, employed by Morris Pro-fumi at the production site in Parma, in 2017 counted 143 people, of which 76% women.

**191**  
employees  
(+9% from 2016)



**76%**  
**Women**

Perfume Holding employees, by geography and gender



Employees									
Country	2017			2016			2015 <sup>7</sup>		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	35	108	143	37	110	147	32	108	140
Spain	3	1	4	-	-	-	-	-	-
UK	3	2	5	-	-	-	-	-	-
United States	1	-	1	1	-	1	-	-	-
Germany	-	-	-	1	-	1	1	-	1
Dubai	1	1	2	2	1	3	-	-	-
Singapore	-	-	-	-	1	1	-	2	2
Hong Kong	-	2	2	-	-	-	-	-	-
Russia	8	26	34	4	18	22	n.a.	n.a.	17
France	-	-	-	-	1	1	n.a.	n.a.	10
<b>Total</b>	<b>51</b>	<b>140</b>	<b>191</b>	<b>45</b>	<b>131</b>	<b>176</b>	<b>33</b>	<b>110</b>	<b>170</b>

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

Morris Profumi manages its relationship with the employees through permanent contracts, which, in fact, represent the totality both in the reporting

period and in the previous year. In 2017, **95%** of the employees worked full-time, such portion remained almost unchanged with respect to the prior year.

In 2017, 6 people have been hired for seasonal changes to the production line through external agencies.

#### Discovering all the trade secrets

In September 2017 Morris Profumi, aimed at improving the working environment, opened the doors of its production site in Parma to the families of all employees. Children had the chance to join their parents at work while taking part in leisure and recreational activities and discovering all the trade secrets of their mums and dads' work.

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

standard employment contracts. Moreover, Morris Profumi has an internal business policy that includes employee contract details in addition to the general reference legislation.

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

<sup>7</sup> For 2015, the gender breakdown is not available for Russia and France

### 3.1.1 Development and training

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

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

Morris Profumi monitors the training hours related to environment, health and

safety and process quality/ Good Management Practices (GMP) topics.

In particular, regarding the production site, each employee is regularly updated on the environmental and safety activities and initiatives thanks to an informative booklet. In addition, each employee receives training on the above-mentioned themes through specific courses organized either internally or externally.

Each year, a training plan is prepared, in order to meet requirements and deadlines on environmental, occupational safety and quality/GMP processes.



**24 courses**  
**587 training hours**

In 2017, Morris Profumi organized and delivered **24 courses on environmental and safety issues**, for a total of **587 hours of training**: 58% of which attended by women and 42% by men. This difference is attributable to the larger number of women in the company. On average, each employee attended 4.1 hours of training throughout the year, in particular, 3.2 h/person for women and 7.0 h/person for men, this difference being due to the fact that men attended fewer, but longer courses.

In addition, in 2017, 523 hours of training on quality/GMP process were carried out (473 hours to women and 50 to men).

#### Promoting high quality working conditions

Morris Profumi is also active in enhancing the wellbeing of its employees as well as their work-life balance. To this end, at the productive site in Parma, the company reached an agree-

ment with local public transportation to provide a shared and free bus for its employees. This solution aims at increasing the awareness of environmental practices, provide transportation options to em-

ployees who do not own a vehicle and enhance employee safety during commuting. In addition, the company provides a salary bonus for parents to cover part of preschool fees.

### 3.1.2 Health & Safety at work

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

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

All the potential risks<sup>8</sup> faced by the company are constantly monitored, and four security audits are carried out on a yearly basis, in accordance with Model 231. The company periodically schedules dedicated meetings with all manufacturing departments and different area managers to discuss possible business issues and collect suggestions on occupational health and safety, environment and quality management.

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



An updated **Environmental, Safety and Social Responsibility Policy** has been drafted

2017, two injuries were recorded at the production site in Parma, which lead to **35 lost days** (strong decline with respect to the previous year, when 4 injuries caused 123 lost days). The injuries recorded in 2017 were classified as minor and did not strongly impact the health of the employees or workers involved. More detailed data on health and safety indicators are reported in the “performance indicators” section, at the end of this Report.

### 3.2 Supporting the local community

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

their activities.

In 2017, the Group donated around **22.5 tons of products** (e.g. body wash, etc.) to several associations that needed them and provided financial support to LILT association (Lega Italiana per la Lotta contro i Tumori), an



**22.5 tons of products** donated to charity

Italian non-profit organization, focusing on research against cancer. Moreover, in 2017, the Procurement division of Morris Profumi engaged Emc2, a local Social Cooperative Enterprise, for the produc-

<sup>8</sup> At Morris Profumi S.p.A, the productive site, the main risks include: fire risk, explosion hazard, chemical risk, biomechanical overload risk due to repetitive work and manual handling of loads.

tion of some Christmas presents. Emc2 activities aim at promoting the recruitment and the integration into work of disadvantaged and disabled workers. The cooperative, holding ISO 14001, ISO 9001 and OHSAS 18001 certifications, mainly operates in ecological, maintenance, relo-

cation and removal, socio-educational and social care services.

Moreover, in 2017 the Group was involved in several other initiatives supporting local communities, such as:

- the Group sponsored cultural events for the city of

Parma, such as the “Festival Verdi” festival and sport events (e.g. “**Giocampus**” summer camp);

- the company participated in educational projects (“**alternanza scuola-lavoro**”) hosting students for temporary internships.

### 3.3 Value creation

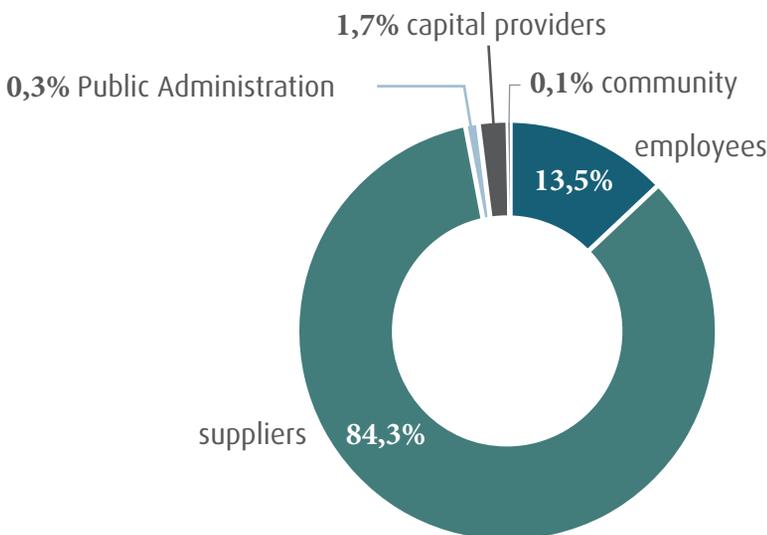
The added value represents the wealth produced by Perfume Holding which is distributed to its stakeholders. Data related to the creation and distribution of economic value provides an indication of how the company creates value for its own development, while simultaneously contribu-

ting to the development of its community and key stakeholders including employees, suppliers, capital providers and the Public Administration. The added value is calculated through a reclassification of the consolidated income statement and highlights the economic effects genera-

ted by the business’ management.

During 2017, the value generated by Perfume Holding amounts to € 68,292,000. It is mainly distributed towards suppliers and employees and is broken down as follows:

Economic value distributed in 2017



# 28 4. Respecting the environment

The consciousness that the long-term success of a company also depends on the ability to plan and make decisions aiming to embed sustainable practices throughout the value chain is the reason why Perfume Holding has been committed to respecting the environment for many years.

By periodically measuring and monitoring its environmental performance, the Group reinforces the commitment to its stakeholders.

Such commitment is reflected in concrete actions, such as the UNI EN ISO 14001:2004 certified Environmental Management System implemented by the parent company Morris Profumi S.p.A. since 2007. In March 2018, the certification was aligned to the new reference standard ISO 14001:2015. In addition, during 2017, Morris Profumi updated its Ecovadis

audit, which renewed the “silver medal” certification.

According to the top management vision of reaching the perfect balance between natural resource consumption and long-term economic growth while ensuring high quality life standards to present and future generations, in 2016 the Group implemented an **Environmental, Safety and Social Responsibility Policy**. The main objectives of the policy include reducing pollution and ensuring compliance with environmental regulation. In accordance with ISO 14001, the Group monitors and assesses environmental risks and opportunities in order to yearly set operational guidelines and quantitative targets.

In addition, starting from 2016, the Group calculates its **Carbon Footprint** to periodically monitor its

impacts and implement precautionary and corrective measures to reduce such impacts.

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

For what concerns the 2017 reporting year there were no verified cases of non-compliance with environmental regulations or standards and the same holds for the previous year.

## 4.1 Energy and Emissions

Morris Profumi recognizes its responsibility in reducing its contribution to global climate change phenomena. For this reason, even though the energy intensity of its production processes is relatively low, the Group’s parent Company is engaged in monthly monitoring the energy consumption of its plants and offices. The total consumption consists

of electricity purchased from the national grid, used to power the offices and production plants, and of the use of natural gas, which is limited to heating purposes. The overall energy demand is only slightly correlated to the actual production volumes: the energy audit conducted in 2015, confirmed that the vast majority of the yearly

consumption derives from heating and cooling processes, which are therefore mainly influenced by external weather conditions and seasonal phenomena.

The total energy consumption registered for 2017 amounts to 5,272 GJ, showing a slight increase as compared to 2016 (+1,5%).

The Group set targets in order to achieve energy consumption reduction and all of its activities are aligned to meet such goals.

Several initiatives have also been introduced to consistently work towards these goals, and can be divided into two categories.

The first consists in investments aiming at enhancing the energy efficiency of buildings and plants and includes the installation of innovative measures or the improvement

of existing ones.

New initiatives were implemented in 2017, in addition to the initiatives described in the 2016 Sustainability Report, such as the replacement of about 70 neon lights in the production unit and the replacement of the high consuming external lighting system, both with LED solutions.

The second category focuses on the development of the Group's human capital by increasing social and environmental awareness

among employees: this is achieved through the provision of specific training and development programs.

The trend of energy consumption within the organization across the last three years, divided by fuel type, is represented in **Table 2**. The consumption of natural gas shows a 6,4% increase from 2016 to 2017, while the demand of electricity shows a decrease of 3.6%.

Energy consumption			
Fuel type	2017	2016	2015
Natural gas	2,830	2,660	2,572
Electricity	2,442	2,534	2,553
<b>Total</b>	<b>5,272</b>	<b>5,194</b>	<b>5,125</b>

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

Total greenhouse gas (GHG) emissions in 2017, reported in **Table 3**, amounted to 405.1 t<sub>CO2</sub>, showing a decrease with respect to the previous year of about 1%. This value is comprehensive of Scope 1 and Scope 2 emissions, defined as follows:

- **Scope 1:** direct GHG emissions from installations owned or controlled by Morris Profumi S.p.A. (natural gas for heating purposes) and in 2017 amounted to 150.7 t<sub>CO2</sub>.

- **Scope 2:** indirect GHG emissions from energy consumption, that is, GHG emissions from electricity, heat and steam imported and consumed by Morris Profumi S.p.A. (in this case only electricity) and in 2017 amounted to 254.4 t<sub>CO2</sub> eq.

Emissions			
Scope	2017	2016	2015
Scope 1	150.7	145.6	140.8
Scope 2	254.4	263.9	266.0
<b>Total</b>	<b>405.1</b>	<b>409.5</b>	<b>406.8</b>

Table 3: Scope 1 and Scope 2 emissions [t<sub>CO2</sub>], Morris Profumi S.p.A.

Starting from 2017, Morris Profumi S.p.A. also monitors GHG emissions deriving from its car fleet. Emissions are calculated multiplying the actual distance travelled by company cars throughout the year (km) by their average emission factors (gCO<sub>2</sub>/km), resulting in an overall amount of 54.4 tCO<sub>2</sub> for 2017 reporting year.

In 2013, the entire production site was thermally insulated, this significantly reduced natural gas demand for heating purposes and electricity demand for cooling, CO<sub>2</sub> emissions decreased accordingly. In addition, Morris Profumi S.p.A. reached its 30% target of commuting trips with collective means of transportation (company

shuttle), another initiative introduced to reduce CO<sub>2</sub> emissions deriving from business activities.

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

## 4.2 Water

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

purposes and for the fire system.

Total **water withdrawal** in 2017 amounted to 5,772 m<sup>3</sup>, showing a 29% increase with respect to 2016. The main reason of this increase is a leak in the water well system occurred in

2017. Despite the prompt detection of anomalous water withdrawal and restorative intervention, the company estimates a leak of about 850-900 m<sup>3</sup>, which can justify the noticeable increase in water consumption values.

Water consumption			
Source [m <sup>3</sup> ]	2017	2016	2015
Groundwater	2,891	1,005	568
Municipal water supplies	2,881	3,457	3,371
<b>Total</b>	<b>5,772</b>	<b>4,462</b>	<b>3,939</b>

Table 4: Water withdrawal by source [m<sup>3</sup>], Morris Profumi S.p.A.

In 2017, Morris Profumi discharged 2,792 m<sup>3</sup> of water. This amount is mainly due to sanitation water usage and, only a small portion, to production activities. It excludes water used for irrigation purposes, estimated to be of about 1,950-2,000 m<sup>3</sup> in the reporting period. With

respect to 2016, there was a 14.7% decrease in water discharge value, this is partly justified by the drop in production volumes that Perfume Holding experienced during the reporting period (the value of water discharge per unit of product decreased of about 2.5%). On the other

hand, this is partly due to the effort that is constantly dedicated to careful water usage and to employees' sensitivity. All volumes of water discharged are treated in an owned and authorized water purification plant before being emitted into a surface water body.

The well-functioning of the purifier is constantly monitored and the quality of the wastewater is tested by a qualified external laboratory on a bi-weekly basis. Perfume Holding's efforts to reduce discharges also include the retrofitting of sanitation facilities.

In order to improve the overall water resource management, water withdrawal is regularly monitored on a monthly basis. If irregular values are detected, the company im-

mediately investigates the cause of the anomaly and intervenes by taking corrective measures.

In addition, over the years, the irrigation system has been optimized with the installation of an automated mechanism for water usage minimization.

As concerns water quality, Morris Profumi, in 2016, built two small wells for water withdrawal to allow the company's internal experts to regularly extract small samples for testing.

This was done in order to ensure efficient monitoring of water quality flows and of potential water contamination.

All completed tests confirmed a high quality of the groundwater streams that feed the production plant and office headquarters.

In addition, as a part of the programs for the development among employees on environmental awareness, the Group promotes employee education on best practices to reduce water consumption and waste.

### 4.3 Waste

Perfume Holding implemented a rigorous waste management procedure throughout the entire productive plant aiming at regulating the sorting process according to each waste category. A proper waste sorting and management allows not only for all waste categories to be destined to proper recovery and treatment processes, but also minimizes the portion of waste sent to landfill and incineration.

In 2017, the waste generated at the Group's headquarters in Parma amounted to 208,595 ton, showing a 15% decrease with respect to 2016, where all waste categories amounts decreased proportionally. While the repartition among different disposal methods

**60.2%** of waste generated is sent to recovery plants



remained virtually constant with respect to the previous year, the amount of waste per ton of product decreased of about 3%.

This implies that, among all the factors the variation is attributable to the reduction in production volumes is predominant.

On the other hand, also the re-use practices recently put in place by the company contributed to the result.

In fact, returning wooden pallets, paper packaging divisions and partitions to the suppliers for re-use, instead

of disposing them, led to a noticeable reduction of waste from mixed packaging, paper and wood.

The total amount of reused materials in 2017 was 35.5 ton, of which: 4.1 ton from mixed packaging, 2.2 ton from paper and paperboard and 29.2 ton from wood. Moreover, there was a reduction in RAEE and empty drums (CER code 15.01.10\*) collection.

In 2017, about 33% of paper purchased at the headquarters was recycled, showing a slight increase with respect to 2016, and around 67% held Ecolabel and FSC certifications.

Furthermore, the total paper consumption decreased, with respect to the previous year, of 22%, achieving the target the company set to 2020.

# 32 4. Respecting the environment

Waste									
Disposal method	2017			2016			2015		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Recovery (energy included)	4.55	120.9	125.5	7.8	144.2	152.0	4.1	119.2	123.3
Incineration	-	46.0	46.0	-	55.7	55.7	-	50.4	50.4
Landfill	-	36.1	36.1	-	33.8	33.8	-	34.8	34.8
Preliminary deposit	1	0.01	1	1.5	2.4	2.9	1.4	0.01	1.4
<b>Total</b>	<b>5.55</b>	<b>203.1</b>	<b>208.6</b>	<b>9.3</b>	<b>236.1</b>	<b>245.4</b>	<b>5.5</b>	<b>204.5</b>	<b>209.9</b>

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

Morris Profumi installed, by the headquarters' canteen, an automatic water dispenser. This led to a drastic reduction of plastic water bottle usage by the employees, estimated in about 33,000 units per year, corresponding to 510 kg per year. Another initiative put in place aiming at waste production minimization is the one concerning products that every year, despite their impeccable conditions, remain unsold.

Perfume Holding has developed a procedure to allocate unsold products to retailers that have had high demand for those products. When this is not possible, the products are re-collected at the production plant and donated to charity.

According to this initiative, at least 50% of such unsold products are eligible for charities. In 2017, 22.5 tons of waste was avoided as a result of this approach.

## 4.4 Materials consumption

Table 6 represents the trend, during the last three years, of the raw material volumes used by Morris Profumi.

Of course, the amount of sourced raw materials is directly proportional with the production volumes, and shows a coherent decrease on the observed period. Overall, the drop from 2016 to 2017 amounts to 15.1%.



**33,000 bottles**  
avoided per years thanks to the water dispenser

Table 6: materials used by weight [ton]

Materials			
Material	2017	2016	2015
Alcohol	462.0	527.0	543.0
Essence	76.0	95.0	103.0
Glass	11,910.0	14,578.4	15,962.0
Paper and cardboard	3,345.0	3,864.0	3,959.0
Plastic	1,932.1	1,836.0	1,450.0
Aluminum	22.4	55.1	24.6
Steel	30.2	32.5	37.8
Wood	33.0	37.0	2.4
<b>Total</b>	<b>17,810.7</b>	<b>20,987.6</b>	<b>22,081.8</b>

## 5.1 Human Resources indicators

33

Total number of employees by employment contract and gender

Type of employment contract	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent	35	108	143	37	110	147	33	110	143
Temporary	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>35</b>	<b>108</b>	<b>143</b>	<b>37</b>	<b>110</b>	<b>147</b>	<b>33</b>	<b>110</b>	<b>143</b>

Table 7: Total number of employees by employment contract and gender. The breakdown and total value for 2015 do not include data for France and Russia

Total number of employees by employment type and gender

Full-time/ Part-time	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	34	102	136	36	103	139	32	103	135
Part-time	1	6	7	1	7	8	1	7	8
<b>Total</b>	<b>35</b>	<b>108</b>	<b>143</b>	<b>37</b>	<b>110</b>	<b>147</b>	<b>33</b>	<b>110</b>	<b>143</b>

Table 8: Total number of employees by employment type and gender. The breakdown and total value for 2015 do not include data for France and Russia

Total number of employees by employment category and gender

Employment category	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior Managers	4	4	8	4	2	6	5	1	6
Middle Managers	6	8	14	8	10	18	7	6	13
White collars	17	41	58	17	43	60	12	46	58
Blue collars	8	55	63	8	55	63	9	57	66
<b>Total</b>	<b>35</b>	<b>108</b>	<b>143</b>	<b>37</b>	<b>110</b>	<b>147</b>	<b>33</b>	<b>110</b>	<b>143</b>

Table 9: Employees by employment category and gender. The breakdown and total value for 2015 do not include data for France and Russia

# 34 5. Performance Indicators

Total number of employees by employment category and age group												
Employment category	2017				2016				2015			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Senior Managers	-	3	5	8	-	3	3	6	-	3	3	6
Middle Managers	-	5	9	14	-	9	9	18	-	8	5	13
White collars	3	41	14	58	5	42	13	60	4	45	9	58
Blue collars	3	40	20	63	4	39	20	63	5	40	21	66
<b>Total</b>	<b>6</b>	<b>89</b>	<b>48</b>	<b>143</b>	<b>9</b>	<b>93</b>	<b>45</b>	<b>147</b>	<b>9</b>	<b>96</b>	<b>38</b>	<b>143</b>

Table 10: Employees by employment category and age group. The breakdown and total value for 2015 do not include data for France and Russia

Total number of governance bodies' members by gender and age														
Board Members	2017				2016				2015					
	<30		30-50		>50		Tot	<30		30-50		>50		Tot
	M	F	M	F	M	F	5	M	F	M	F	M	F	7
	-	-	2	1	2	-	5	-	-	4	1	2	-	7
	-	-	2	1	2	-	5	-	-	2	1	2	-	5

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

Total number of external workers by employment category and gender for Morris Profumi S.p.A.									
Employment category	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Self-employed persons	8	-	8	12	-	12	12	-	12
Workers hired through external agencies	5	7	12	5	9	14	5	6	11
<b>Total</b>	<b>13</b>	<b>7</b>	<b>20</b>	<b>17</b>	<b>9</b>	<b>26</b>	<b>17</b>	<b>6</b>	<b>23</b>

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

Employee hiring and turnover rate by gender for Morris Profumi S.p.A.									
Rate and percentage	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Hiring rate	20%	3%	7%	24%	7%	12%	34%	14%	19%
Turnover rate	26%	6%	10%	11%	5%	7%	19%	25%	24%*

Table 13: Employee hiring and turnover rate by gender. The turnover rate in 2015 is due to an internal company restructuring, which was managed in agreement with trade unions

## Employee hiring and turnover rate by age group for Morris Profumi S.p.A.

Rate and percentage	2017				2016				2015			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Hiring rate	17%	6%	8%	7%	44%	12%	4%	12%	44%	16%	19%	19%
Turnover rate	33%	10%	8%	10%	22%	8%	2%	7%	0%	19%	42%	24%*

Table 14: Employee hiring and turnover rate by age group for Morris Profumi S.p.A.. The turnover rate in 2015 is due to an internal company restructuring, which was managed in agreement with trade unions

## Average hours of training by employment category and gender for Morris Profumi S.p.A.

Average hours	2017				2016				2015			
	Tot hours	Men* avg	Women avg	Total avg	Tot hours	Men* avg	Women avg	Total avg	Tot hours	Men* avg	Women avg	Total avg
Senior Managers	18	0.5	4.0	2.3	28	-	4.7	4.7	11	2.8	-	2.8
Middle Managers	76	8.7	3.0	5.4	68	8.5	-	3.8	45	4.0	2.8	3.5
White collars	280	5.4	4.6	4.8	843	16.0	9.5	14.1	216	7.4	2.8	3.8
Blue collars	213	14.3	2.0	3.4	165	4.0	2.1	2.6	408	20.3	3.9	6.2
<b>Total</b>	<b>587</b>	<b>7.2</b>	<b>3.1</b>	<b>4.1</b>	<b>1,104</b>	<b>10.1</b>	<b>5.0</b>	<b>7.5</b>	<b>680</b>	<b>9.7</b>	<b>3.4</b>	<b>4.9</b>

Table 15: Average hours of training by employment category and gender for Morris Profumi S.p.A.. The value for average hours of training for men is higher because of their participation in fewer, longer courses compared to women

## 5.2 Health and safety indicators

## Health and safety indicators by employees and external workers for Morris Profumi S.p.A.

Number and rate	2017		2016		2015	
	Employees	External workers	Employees	External workers	Employees	External workers
Injuries	1	1	3	1	-	-
Occupational disease rate	-	-	-	-	-	-
Work-related fatalities	-	-	-	-	-	-
Absentee days	966	n.a.	741	n.a.	-	-
Absentee rate	2.6%	n.a.	2.1%	n.a.	-	-
Injury Rate	0.9	8.4	2.8	3.7	-	-
Lost Day Rate*	0.02	1.3	0.36	0.6	-	-

Table 16: Health and safety indicators by employees and external workers for Morris Profumi S.p.A. In 2015 no injuries or occupational diseases were recorded

\*Lost day rate calculated as follows:

- For Employees: number of lost days/number of hours scheduled to be worked\*1.000
- For External workers: number of lost days /number of worked hours\*1.000

This 2017 Sustainability Report represents our commitment towards a transparent and structured reporting process, developed by the Group for the benefit of its stakeholders. It supplements the information regarding sustainability disclosed in the 2017 Annual Report, providing details on the Group's sustainability performance and industry trends, and giving the proper attention to the expectations of all stakeholders who, either directly or indirectly, are interested in the activities of the Group.

The document is prepared in accordance with the "GRI Sustainability Reporting Standards" issued in 2016 by the GRI - Global Reporting Initiative. The breadth and detail with which the issues in the Sustainability Report are covered reflect the materiality analysis carried out according to the methodology described in the paragraph "Approaching sustainability". The level of adherence to the GRI Reporting Standards is "In accordance - Core option".

### *Scope of reporting*

The Group is commercially known as "Perfume Hol-

ding" and for this reason "Perfume Holding" and "the Group" are used interchangeably in this Report, both referring to Morris Profumi Group. The Group's logo has not changed. The reference "Morris Profumi S.p.A." solely refers to the parent company.

The reported information and data refer to 2017 (from 1st January 2017 to 31st December 2017), unless otherwise noted. Any data referring to previous years is presented for comparative purposes only, so as to allow an assessment of the evolution of the Group's performance over time. Where the data comes from estimates, it is flagged accordingly. The performance indicators were collected on an annual basis and the reporting frequency is annual. The scope of the reported data differs depending on the topic at stake, as follows:

- the operating and financial data refers to the Group (parent company and subsidiaries consolidated on a line-by-line basis) and are extracted from the Annual Report as at 31st December 2017;
- for human resources information, the reporting scope refers to the Group (parent

company and subsidiaries consolidated on a line-by-line basis), with the exception of the data related to training and health and safety indicators, which refers only to Morris Profumi S.p.A. Data included in section 5 "Performance indicators" refer to Morris Profumi S.p.A,

- for environmental data, the reporting scope refers to Morris Profumi S.p.A.

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

### *Calculation criteria*

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

- The Injury Rate is calculated as the ratio between the total number of injuries leading to an absence of more than 1 day (excluded the one in which the injury happened) and the total number of hours worked, multiplied by 200,000.
  - The Lost Day Rate is calculated as the ratio between the total number of lost days (due to injuries and occupational diseases) and the total number of hours scheduled to be worked, multiplied by 1,000 (for external workers, the ratio was calculated using the hours worked, as the information about the hours scheduled to be worked is not available).
  - The Absentee Rate is calculated as the ratio between the total number of days lost due to absenteeism and the total days scheduled to be worked.
  - The Occupational Disease Rate is calculated as the ratio between the frequency of occupational diseases and the total number of hours worked.
  - Direct (scope 1) and indirect energy emissions (scope 2) have been calculated as follows:
    - For the emission caused by the use of natural gas, the emission factor used was taken from the table of national standard parameters (valid for the calculation of emissions from 1st January, 2017 to 31st December, 2017) published by the Italian Ministry for the Environment and Protection of the Territory and the Sea;
    - For the indirect emissions derived from the consumption of electricity purchased from the national electricity grid, the emission factor was taken from Terna's international comparisons on Enerdata data - 2015 data.
- For further information about this Sustainability Report, please contact:

**Morris Profumi S.p.A.**

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## 6. Note on Methodology

## 7. Explanation of the material topics and its boundaries and correlation with GRI Standards

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

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

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

## 7. Explanation of the material topics and its boundaries and correlation with GRI Standards

## 8. Correlation between UN Global Compact and GRI Standards

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

Category	UN Global Compact Principle	GRI Standard Disclosure
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	412-1, 103-2,
	Business should make sure they are not complicit in human rights abuses	414-1
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	102-41, 402-1
	Businesses should uphold the elimination of all forms of forced and compulsory labor	n.a.
	Businesses should uphold the effective abolition of child labor	n.a.
	Businesses should uphold the elimination of discrimination in respect of employment and occupation	102-8, 401-1, 405-1, 406-1
Environment	Businesses should support a precautionary approach to environmental challenges	302-1, 303-1, 305-1, 305-2, 305-7
	Businesses should undertake initiatives to promote greater environmental responsibility	302-1, 303-1, 305-1, 305-2, 306-1, 306-2, 301-1, 307-1, 308-1, 103-2
	Businesses should encourage the development and the fusion of environmentally friendly technologies	n.a.
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery	102-16, 205-3

The following table presents the GRI Disclosures covered by this Report according to the option “In Accordance-core”, as prescribed by the GRI Sustainability Reporting Standards 2016 of the Global Reporting Initiative. For each Disclosure, a brief description is provided and the paragraph of the 2017 Sustainability Report in which the information can be found. A specific comment is provided for Disclosures that have not been covered, or have only been partially covered.

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

# 42 9. GRI Standards – Content Index

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

Disclosure	Description	Paragraph/Notes
<b>Material aspect – Water</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.2
GRI 303-1	Water withdrawal by source	4.2
<b>Material aspect – Emissions</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.1
GRI 305-1	Direct (Scope 1) GHG emissions	4.1
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4.1
<b>Material aspect – Effluents and waste</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	4.2
GRI 306-1	Water discharge by quality and destination	4.2
GRI 306-2	Waste by type and disposal method	4.3
<b>Aspect – Environmental compliance</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	-
GRI 307-1	Non-compliance with environmental laws and regulations	No significant episodes in 2017
<b>Material aspect – Supplier environmental assessment</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.2
GRI 308-1	Negative environmental impacts in the supply chain and actions taken	2.2
<b>SOCIAL</b>		
<b>Aspect – Employment</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1
GRI 401-1	New employee hires and employee turnover	3.1; 5
<b>Aspect – Labor/management relations</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1
GRI 402-1	Minimum notice periods regarding operational changes	3.1
<b>Material aspect – Occupational Health and Safety</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1.2
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	3.1.2; 5

# 44 9. GRI Standards – Content Index

Disclosure	Description	Paragraph/Notes
<b>Material aspect – Training and education</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1.1
GRI 404-1	Average hours of training per year per employee	3.1.1; 5
<b>Material aspect – Diversity and equal opportunities</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.1
GRI 405-1	Diversity of governance bodies and employees	3.1; 1.3.1; 5
<b>Aspect – Non-discrimination</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	1.3.1
GRI 406-1	Incidents of discrimination and corrective actions taken	1.3.1
<b>Material aspect – Human rights assessment</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	1.3.1
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	1.3.1
<b>Material aspect – Local communities</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	3.2
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	3.2; 3.3
<b>Aspect – Supplier social assessment</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.2
GRI 414-1	Negative social impacts in the supply chain and actions taken	2.2
<b>Material aspect – Customer health and safety</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.3
GRI 416-1	Assessment of the health and safety impacts of product and service categories	2.3
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	2.3
<b>Material aspect – Customer privacy</b>		
GRI 103-1; 103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	2.7
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.7
<b>Material aspect – Marketing and labeling</b>		
GRI 103-1;103-2; 103-3	Explanation of the material topic, the management approach and an evaluation of the management approach	6
GRI 417-1	Requirements of product and service information and labeling	6