

# 2020 Annual impact report

Pursuant to Art. 1 c.392 L. 208/2015  
regarding the pursuit of the common good.  
Non-financial disclosure document

## Foreword

### Letter from the Chairman

The year 2020 created havoc in the whole world and redefined our idea of normality due to a pandemic that we still have not managed to put behind us. We have completely changed our way of living, working, travelling and relating to people. Some of these changes will remain forever as the economic consequences and social differences created by the pandemic have been very deep and it will take many years to overcome them.

The events of 2020 have shown the world how urgent it has become to tackle and win one of the main challenges for our generation: the fight against climate change.

Despite the impact of the pandemic, the reduction in CO2 emissions recorded globally last year was smaller than expected, with an increase in the second quarter as some economic activities were being resumed.

Sustainability reporting cannot be limited to compliance with legal requirements, it should become a true driver of change.

Today, it is no longer sufficient to churn out figures about this world of ours. We also, and most importantly, need to describe the world of these figures, and this impact report intends to do that by integrating the results, commitments, goals and vision of the Davines Group into a wide perspective.

The purpose is to provide to stakeholders with a clearer, inclusive report so that each of them, when considering their very different specific contexts, may see the relevance and urgency of the challenges that, day after day, guide the work of our Group and may provide an incentive and source of motivation for the actions of each person, with the additional ambition of inspiring the sort of "activism" that can give rise to the renewal needed for change to take place. While it is true that we can only improve what we measure, it is also true that no measure reveals its importance until we recognize its deepest meaning.

Even in a year marked by severe losses, we saw, once again, the value of our Group's human capital, guided by the same values and by a great passion and sense of belonging which has allowed us to achieve extraordinary results, unthinkable just a year ago: to all of them goes my deepest gratitude.

For our Group, sustainability and strategy are integrated elements driven by a sense of responsibility. For this reason, in 2019 Davines S.p.A. and Davines North America Inc., in addition to the new assessment and audit required for retaining B Corp certification, adopted the new legal form of "Benefit Corporations". In 2020, other companies of the Davines Group introduced changes in their company purpose, bringing it in line with what had already been defined for Benefit Corporations. Other Group companies are working to complete these changes by the end of 2021.

*Benefit Corporations* represent a substantial evolution from the traditional model of corporations, as they are for-profit companies that use their profit to create a benefit that affects not only shareholders but also other groups of people, such as staff, suppliers, environment and communities. This new legal form of business was introduced in several US states starting in 2010. Italy was the first sovereign state to introduce this new corporate entity. Benefit Corporations represent a model that goes beyond the simple concept of enterprise; traditional companies exist with the only purpose of distributing dividends to shareholders, while the company object of Benefit Corporations includes, in addition to profit objectives, the purpose of having a positive impact on society and on the environment.

By making this choice, Benefit Corporations undertake:

- to specify in their by-laws the purpose for which the company exists and to balance the interest of shareholders with that of all the other stakeholders;
- to accurately measure all its impact results and to convey them in a transparent way in an impact report which complements the traditional business reports.

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This legal entity has given rise to a new role designed to change the company from the inside: the impact manager is the person who, together with the management, is in charge of ensuring that the company's activities are also aimed at having a positive impact on people, on society and on the environment and that they pursue the purposes declared in the by-laws.

The purpose is specified in our company's by-laws as follows: "The company, in line with the provisions of L.208/2015 and in the performance of its operations, intends to pursue one or more common benefit objectives and to operate in a responsible, sustainable and transparent way towards people, communities, land and environment, assets and cultural and social activities, entities and associations as well as other stakeholders, so as to balance the interest of shareholders with the pursuit of common benefit objectives". The supplement to the corporate purpose included in the by-laws reads as follows:

*For the attainment of its corporate purpose, the Company also operates as a Benefit Corporation whose general purpose is to pursue- in addition to the business goals that are typical of enterprises - common benefit objectives and to operate in a sustainable and transparent way towards people, communities, land and environment, assets and cultural and social activities, entities and associations, as well as other stakeholders". In this context, the Company has the specific common benefit objectives described below:*

- *commitment towards sustainable development, based on products, processes and practices that minimize negative impacts and expand their positive impact on people, environment and regions; this impact may also be achieved through collaboration with other enterprises, institutions, associations, non-profit organizations, foundations and the like, whose purpose is aligned and synergistic with that of the Company;*
- *promotion of an informed, sustainable way of conducting business operations.*

This is our second Impact Report, the main document through which a Benefit Corporation reports on the value created for the community and for the environment and the way in which this value relates to the objectives defined in the corporate purpose thanks to its legal status of Benefit Corporation.

Starting in 2019, with commitment, consistency and transparency, we decided to disclose through an annual report, achievements that go beyond economic and financial results which, although fundamental, have increasingly shown their inadequacy in quantifying the role and purpose of a company in society.

The Impact Report below has been prepared in compliance with art. 1 c.392 L. 208/2015 by the designated person, Chief Executive Officer Paolo Braguzzi.

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# Introduction

To calculate their impact, Benefit Corporations can use a measuring platform, *B Impact Assessment* (BIA) developed by the nonprofit organization B Lab for B Corp. certification. This protocol, available globally online free of charge, is designed to measure whether a company contributes to a regenerative rather than extractive paradigm. If the BIA protocol measurement shows that a company's economic, environmental and social impact exceeds the threshold of 80 points, after verification by the certifying body B Lab, it becomes eligible for B Corporation Certification. B Corps are companies that around the world commit to the spreading of a new business paradigm and which in 2016 promoted and introduced the Benefit Corporation legal entity in Italy.

The B impact Assessment tool, used by 150,000 companies, of which over 3900 B Corps in 74 countries and 150 sectors, provides a concrete, positive and scalable solution that creates value for both shareholders and all stakeholders. One of the fundamental principles of the B Corp movement is interdependence, i.e. shared responsibility towards all stakeholders and towards future generations. In Italy, there are currently more than 120 certified B Corps and more than 500 benefit corporations, forming the most rapidly growing community of this type of enterprises, as reported by the respective dedicated websites listed below:

<http://www.societabenefit.net/>

<https://bcorporation.eu/>

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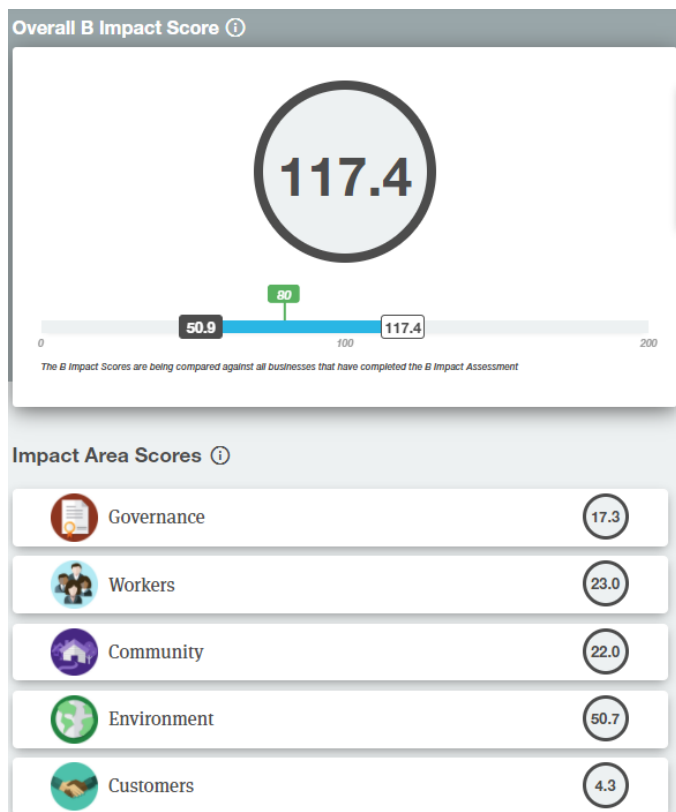
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# Summary by Impact Area

To measure our company's impact, we use the international standard B Impact Assessment (BIA), which we supplement with performance and corporate impact indicators, the most significant results of which are presented in the following sections. What we report in the BIA, is verified and validated every three years by a third-party certifying body, B Lab, as part of the B Corp re-certification process. In years when re-certification is not taking place, we still use the BIA as a company performance self-assessment tool.

The certified score of the Davines Group is currently 117.4, broken down as follows:



FY 2020 was the first year during which the Company's operations were completely under the legal status of Benefit Corporation entity. Despite the "extraordinary" situation of 2020, due to the effect of the Covid-19 pandemic, the company's efforts continued to be directed simultaneously to the attainment of a positive economic-financial result and to the constant improvement of the Company's impact on its stakeholders, in accordance with the renewed corporate mission.

## Governance

### Mission and commitment

#### Level of commitment to create positive impact

In its decision-making process, the company always takes into account its social and environmental impact because it deems it important for the success and profitability of its business; its written corporate mission includes a commitment to specific positive social impact (e.g. reduction of poverty, sustainable economic growth);

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it incorporates social and environmental performance in the decision-making process; it trains its employees on social and environmental aspects that are relevant for the company or for its mission; it performs internal audits that formally include social and environmental aspects.

The role of our company's managers explicitly mentions social and environmental sustainability. It is important to point out that the remuneration and duties of the members of the management team include social and environmental performance. Lastly, the Board of Directors annually reviews the social and environmental performance of the Group based on the evaluation of key performance indicators (KPI).

### Training on social and environmental performance

The company's environmental and social principles and practices are incorporated in staff training programmes, with specific formal training for the induction of new employees and directors as well as continuous training for all employees and directors.

### Evaluation of the performance of managers with social/environmental objectives

In this area, the company had set the following goals for 2020:

- to increase the percentage of employees with sustainability goals in their incentive plan, among them 100% of managers at every level of the organization in the Parma headquarters: this objective has been reached. The percentage of full-time managers for which during the last year a written performance evaluation was conducted, with social or environmental objectives, is 95.2%, This figure includes 100% of the directors in the Parma headquarters and of first-tier executives in our branches.
- To increase the percentage of employees, among them 100% of managers at every level of the organization in the Parma headquarters, with references to sustainability in their job mission. This objective has not been reached, as in 2020 48.6% of managers in the Parma headquarters had any reference to sustainability in their mission.

### Stakeholder involvement

The company applies continuous, formal processes to obtain feedback on its sustainability projects and activities (discussion groups, surveys, community meetings, etc.) from its stakeholders.

### Ethics and Transparency Questionnaire on conflict of interest

All the Board Directors are required to complete an annual questionnaire on conflict of interest.

### Training on Code of Ethics

The company offers training on Code of Ethics to all newly hired employees and continuous training on Code of Ethics to all managers.

### Disclosure of the company's impact

Every year, the company publishes information regarding its social and environmental performance; it provides descriptions of current programs and of its social and environmental performance; it publicly discloses specific and quantifiable indicators and results on its social or environmental performance; it sets goals and publicly discloses the progress made; it recognizes the corporate forms and amendments that preserve the missions and/or consider stakeholders regardless of company ownership.

The reporting structure has been improved through the years to enable a breakdown of data by branch and improved comparability over time.

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## Protecting the mission

In order to legally guarantee that its social and environmental performance will be part of the decision-making process over time, regardless of company ownership, the board of directors signed a resolution aimed at amending or adopting a legal form that obliges the company to consider all stakeholders i.e. the Benefit Corporation.

In September 2019, Davines S.p.A. and Davines North America Inc., became Benefit Corporations, reinforcing through their by-laws the commitment to operate not only for profit, but also for the benefit of the planet and the community. As the Benefit Corporation entity is not available in the legal systems of the countries of all our branches, one of our objectives for 2020 was to start a global by-laws review process, to ensure that all our branches amend their by-laws accordingly. In October 2020, our French branch was the first one to follow this new directive and to become a *société à mission*.,

## Employees

As at 31 December 2020, the Parma headquarters, our only production plant, employed 351 people. 30.7% of our women employees work in a managerial role. The Davines Group employs 727 people, of which 63.7% women and 36.3% men. 56.1% of the Group's executives (directors, middle managers and department heads) were women.

## Health and wellness initiatives

The company sponsors and encourages participation in initiatives linked to health and wellness during work. Employees have access to advisory services, web resources and workers support programs on healthy practices. Smoking is prohibited within 7.5 m of each entrance to the factory and to the offices.

For 2020, the company had resolved to:

- redefine and implement the post-Covid SmartWorking policy, aiming for improvement of organizational efficiency, lower impact of home-workplace travel and better work-life balance for every employee. The prolonged emergency situation has not made it possible to implement a post-pandemic policy. Consequently, the company continued with the application of the policy created specifically to curb the spread of the pandemic, inviting employees to switch to home working if their duties allowed it.

2020 was a crucial year not only for the Davines Group, but for all humankind. During the Covid-19 pandemic, the Davines Group renewed its support to the well-being of people and of the planet. The Covid-19 crisis, with its complex web of interconnections, confirmed the importance and validity of our value choices and motivates us to further strengthen them in the future.

With our "We care" program, we wanted to give support to our stakeholders: staff, suppliers, distributors, customers and communities. As regards our staff, we granted a bonus to workers in our manufacturing plant whose efforts enabled timely, massive production of our "Gel del Buon Auspicio" (hand sanitizing gel produced during the early days of the pandemic in March 2020). The company supplemented the social welfare redundancy payments of colleagues in the Parma headquarters. Home working has been strongly favoured by the Group, without any limits on the number of days to guarantee the safety and health of all staff members. #SpreadingKnowledgeWithCare, our in-house training program, made it possible to reinforce the sense of belonging of our staff and customers as well as to share knowledge and skills, making the most of the improved time management made possible by home working.

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## Professional development

### Policies and practices linked to professional development

The company has a formal induction training program for newly hired staff; during this last year, it offered continuous training on the basic work responsibilities of employees; its policy encourages promotion and internal selection for high-level positions (e.g. by first advertising open positions internally); it offers training on core skills to promote professional development; it offers training on personal development competencies not directly career-related (e.g. finance courses, English language courses); it facilitates or provides resources for external professional development opportunities (e.g. conference attendance, online course); it offers refunds or programs to obtain continuous and intensive training certificates (e.g. degree, professional licence). During 2020, a total of 5277 training hours were delivered in the Parma offices, which means an average of 1.8 working days devoted to the training of each employee.

### Internal promotions and professional growth policies

The percentage of non-entry-level positions filled by internal staff was over 40%. The percentage of interns who was later hired was 66.7%.

The percentage of fixed-term contracts who were turned into open-ended contracts in 2020 was 11%.

As regards professional growth and promotions: employees who wish to take a short-term or sabbatical leave are guaranteed their job back when they return; where possible, workers have the opportunity of being moved to new duties and to change their career prospects.

## Level of involvement and satisfaction

In 2018, we chose to redefine the climate analysis used since 2005 and to separately measure the evaluation of line managers and the overall level of satisfaction through two different in-depth, specific questionnaires: “360 evaluation” and “Corporate climate evaluation survey”. In 2019, the climate survey, conducted through *Great Place to Work*, involved over 600 employees who contributed to the determination of the “trust index”, the company’s internal trust level. The results of the survey led to the award of the “*Great Place to Work 2019*” certification, valid for one year.

With the aim of evaluating the organizational climate annually, from 2020 Davines decided to alternate the “Corporate climate evaluation survey” through *Great Place to Work*, with an analysis called *Pulse*. Although shorter, the Pulse analysis makes it possible to monitor the situation and measure the company’s trust index, i.e. the company’s internal trust level. In 2020, the Davines *index* for the Parma headquarters reached 59% and the overall percentage for all of the Group’s branches was 64%.

## Paid parental leave

The primary parent is entitled to more than 6 months parental leave (including unpaid and paid vacation leave), of which 18 to 24 weeks (or the equivalent in salary terms) of parental leave for the primary parent are paid in full.

The company supplements parental leave pay during the optional leave period (from 30% to 60% of salary) and adds 5 days to the paternity leave period set by law.

The secondary parent has up to two weeks of paid parental leave (or the equivalent in salary terms).

## Additional benefits

Most employees with non-managerial positions are offered: subsidized childcare, outside the company’s facilities; free meals or meal vouchers; support policy for breastfeeding mothers.

83% of the Parma branch staff can benefit from the Davines Care welfare plan. In 2020, the percentage of company staff who benefited from the welfare plan increased by 4.1% over 2019. Davines grants employees an additional contract-based bonus correlated to the achievement of performance objectives.

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# **Community**

## **Diversity, equity and inclusion**

### **Inclusive hiring practices**

The company promotes an inclusive selection and hiring process; in all our job offers we include a statement on our commitment to diversity, equity and inclusion; no questions are asked about prior criminal history during the hiring process; we analyze the prerequisites and language used in our job offer descriptions to ensure that they are equitable and inclusive. The number of different nationalities of our employees is 46, the same as in 2019.

### **Inclusive workplaces**

The company offers training to all employees on issues related to diversity, equity and inclusion.

The company's facilities have been designed to meet accessibility requirements for people with physical disabilities. In 2020, 120 employees from the Italian headquarters attended a training session on these topics.

## **Civic engagement and donations**

### **Policies and practices of service to community**

The company offers paid time off for services to community; it donates up to 4 days paid leave per year (matched by employees in their own time); it monitors and records the total number of hours of volunteer work; it has set objectives for community and pro-bono services. In 2020, the company paid 336 working hours that were used for volunteer work (out of a total of 554 hours for the group).

### **Total amount of charity donations**

In 2020, the total amount donated to charities by the Parma headquarters (in money or free products) was Euro 179,340. In this respect, a remarkable campaign was the donation of sanitizing gel, supplied free of charge to employees, customers and organizations involved in fighting the pandemic.

### **Promoting improved social and environmental performance**

The company has provided data or contributed to academic surveys on social or environmental issues; it participates in panels and other public dialogues on social and environmental matters; it publicly offers resources to help other companies or stakeholders improve their social or environmental development.

From 2016 to 2020, 9 suppliers to the Parma facility and a distributor obtained B Corp certification thanks to the intense action of engagement of the supply chain of the Davines Group on sustainability issues. In addition, to date 36 suppliers have completed the B Impact Assessment, thus reaching the objective set for 2020, which is to “continue to motivate our suppliers to measure their performance through the Business Impact Assessment”.

In September 2020, Davines and other B Corps in the beauty industry, designed and promoted the “B Corp Beauty Coalition”, thus reaching the goal set for 2020: to establish a broad agreement with B Corp companies in the cosmetic world, to further strengthen our commitment towards the B Corp principle of interdependence. Aware of our interdependence, today we want to join efforts to work on improving sustainability standards in the beauty industry. B Corp Beauty Coalition is a global “pre-competitive” initiative open to all B Corps from the supply chain of the beauty industry aimed at:

- encouraging collaboration and exchange among cosmetic companies;
- identifying and sharing good practices and specific improvement actions for the beauty industry;
- motivating the beauty industry to trigger sustainable changes;
- working together on high-level objectives identified by the coalition.

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The company also promotes awareness-building and training of young people towards sustainable enterprises, sponsoring and promoting the BCorp School project, aimed at favoring the creation of startups that contribute to the common good.

## Management of distribution and supply chain

### Supplier code of conduct

The Supplier code of conduct is a formal written policy that makes them explicitly responsible for their social and environmental performance. To date, 365 of the suppliers to the Parma facility and 53 of the suppliers to our branches, have signed the supplier code of conduct.

### Improving the impact of the supply chain

The company offers resources to suppliers to help them improve their social and environmental performance; Davines offers incentives to suppliers with good social and environmental performance; it sets a deadline for suppliers to apply the relevant changes to remedy nonconformities with the code of conduct, after which the commercial relationship will be terminated; it offers training and/or resources to suppliers to help them improve their social and environmental performance. In 2020, the Parma headquarters also organized a sustainability workshop for its suppliers, offering advice and good practices to raise their social and environmental sustainability performance and promote the use of energy from renewable sources. The workshop involved 96 suppliers and dealt with topics such as: calculation of CO2eq emissions, importance of interdependence in creating a sustainable supply chain.

## Environment

### Environmental management

#### Criteria of sustainable procurement policy

The company has a procurement policy that consists in a set of guidelines for sustainable procurement management. It explains to all Davines employees how to select product and services and evaluate/validate suppliers in line with our principles and values.

### Environmental management systems

The company implements an environmental management system covering the production of waste, energy consumption, use of water and carbon dioxide emissions, which produces: a statement documenting the company's effort for the environment; an evaluation of the environmental impact of the company's activities; quantifiable objectives and targets regarding social and environmental aspects of the company's activities; a targeted program with resources allocated to the achievement of objectives; periodic conformity audits and reviews to examine current programs.

### Evaluation of the environmental footprint of the whole value chain

The company has carried out a formal assessment to measure the environmental footprint of its value chain (including supply chain, use of products and end-of-life) which concerns: impact on biodiversity, impact on climate (scope 3 carbon emissions), impact generated by toxins or dangerous materials and soil conservation (including extraction of materials). In 2020, this formal assessment, referred to as Life Cycle Assessment (LCA) was applied to 27.5% of the group's product sales, consisting of the lines Davines Mask, A single shampoo, Essential Haircare (shampoo and conditioner), Heart of Glass, Pasta&Love, and to the Comfort Zone line "Sacred Nature".

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The LCA analysis makes it possible to quantify the ecological footprint of a product on the basis of specific scientific standards and impact categories, such as the quantity of CO<sub>2</sub> emissions or water acidification resulting from every life cycle phase of a product.

In 2019, our disclosure gave an incorrect LCA product sale percentage: after careful verification, the correct percentage was found to be 25.9%, not 34% as previously stated. Therefore, the 2020 objective of increasing the percentage of products on which the ecological footprint is calculated through a complete Life Cycle Assessment and of compensating the CO<sub>2</sub>eq emissions has actually been reached. From 25.9% of product sales covered by LCA in 2019, we reached 27.5% in 2020 and we compensated all the CO<sub>2</sub>eq emissions calculated (see “Monitoring of greenhouse gas emissions”).

For years, the Davines Group has also been working on its supply chain with the objective of creating products that can actively contribute to mitigate the climate crisis and environmental pollution. In 2020, the intense research of our laboratory resulted in the creation of three active principles, cultivated according to a research model that aims for circularity: producing effective ingredients in accordance with the principles of green chemistry, reducing the impact on climate and the quantity of waste, preserving biodiversity and increasing profit for the farmers involved in the production of raw materials. To this end, the farmers selected to cultivate myrtle, elderberry and pomegranate (for the extracts of the Sacred Nature line) worked with the following objectives:

- Implementing practices that increase soil fertility especially in terms of organic fraction,
- selecting systems and techniques that limit soil erosion
- adopting cultivation practices that reduce environmental contamination by synthetic chemical substances
- adopting sustainable crop and agronomic treatments
- promoting people’s awareness on these topics

The projects connected with these practices will continue in 2021.

## Climate change

### Use of renewable energy

For the Parma facility, the percentage of energy consumption from renewable sources is 100%. For the Group, the percentage of electric and thermal energy from renewable sources is 97.8%.

### Monitoring of greenhouse gas emissions

We regularly check and record emissions and have set specific reduction objectives based on previous performance. In 2020, CO<sub>2</sub>eq emissions from activities that are under the direct control of the Parma facility (Scope 1 and 2) amounted to 203.7 tons. This result was achieved thanks to maintaining our ability to meet 100% of our energy demand from renewable sources, but also thanks to the reduction of energy consumption, mostly due to the situation created by the Covid-19 pandemic.

In 2020 we further expanded, but not yet completed, the mapping of greenhouse gas emissions generated by activities over which the company does not have direct operational control (Scope 3). For the emission categories considered in the Greenhouse Protocol (GHG Protocol), we report the following Group-wide results:

- Purchased goods and services\* 1098.6 ton CO<sub>2</sub>eq ingredients\*; 4121.2 ton CO<sub>2</sub>eq packaging of all the products placed on the market.
- Activities related to energy supply chain: 1209.2 ton CO<sub>2</sub>eq, of which 99% is related to the Parma facility.
- Transport and distribution in upstream supply chain\*: 58.3 ton CO<sub>2</sub>eq.
- Waste generation: 18.6 ton CO<sub>2</sub>eq, of which 91% related to the Parma facility.

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- Business travels: 277.6 ton CO<sub>2</sub>eq, of which 266.4 ton CO<sub>2</sub>eq air travel; 2.1 train; 9.1 car. The Parma facility, including export business units, is responsible for 62.6% of the total of these emissions.
- Commuting: 146.7 ton CO<sub>2</sub>eq, of which 90.4% related to the Parma facility.
- Transport and distribution of finished product\*: 777.4 ton CO<sub>2</sub>eq, of which 12.5% relate to distribution of products that our customers purchased through Italian and US e-commerce.
- End-of-life of finished products\*: 2432.3 ton CO<sub>2</sub>eq, of which 80% resulting from disposal of bulk, and 20% from disposal of packaging material.

The Group's total carbon footprint (scope 1+2+3 – scope 3 partial-) calculated for 2020 is 10,630.94 ton CO<sub>2</sub>eq.

Not included in the GHG protocol report, emissions from electric and thermal energy consumption, refrigerant leaks due to the main company events of both brands amounted to: 35.5 ton CO<sub>2</sub>eq.

\*Emission category calculated by applying the LCA analysis on 27.5% of product sales.

The objective set for 2020 of “defining a detailed roadmap on all of the company's carbon footprint areas for the achievement of the Net Zero Emission goal has been reached in terms of scheduling of the progressive calculation of the company's footprint.

## Reduction of greenhouse gas emissions of distribution chain

The company assists or requires suppliers to collect data and report on greenhouse gas emissions; it evaluates suppliers to ensure that they implement practices aimed at reducing greenhouse gas emissions (e.g. supplier performance, selection of materials, local purchases); it offers strategic support and resources to facilitate the adoption of operations that reduce greenhouse gas emissions in the distribution chain.

In September 2020, Davines launched the *Carbon Neutrality Distributors Challenge*, engaging all its distribution partners for the Davines brand worldwide in using an automatic calculation tool - developed in-house - to map and calculate direct annual emissions generated by the distributors' activities. Davines committed to compensating the emissions resulting from the calculation of the first 10 distribution partners who completed the challenge. To date, 10 distributors have completed the challenge and Davines contributed to the compensation of their emissions for a total of 600 ton CO<sub>2</sub>eq.

## Management of greenhouse gas emissions of supply chain

The company has carried out an analysis of its value chain (which includes suppliers, services and materials) to identify the most significant risk areas for greenhouse gas emissions and has acquired certified carbon credits to compensate part of the greenhouse gas emissions produced by its supply chain. 15% of all the suppliers who completed the annual Davines supplier sustainability questionnaire declared that they have reduced their CO<sub>2</sub>eq emissions in 2020. 3.8% of them report a reduction of more than 20% over the previous year.

At the same time, 10.5% of all the suppliers who completed the annual Davines supplier sustainability questionnaire declared that they compensated their CO<sub>2</sub>eq emissions in 2020, of these 2.3% compensated 100% of their emissions.

## Management of impact caused by transport

To minimize the environmental impact of transport in its supply and distribution chain, the company used low-emission vehicles (among them hybrid, LPG and electric vehicles) for product transport and distribution. The improved efficiency of the transport network resulted in a reduction of the ton-mile index greater than 25%.

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# Earth & Life

## Water use practices

The company regularly evaluates the microbial, chemical and mineral content of the water used and adequately manages water sources, as well as the use and elimination of waste water with the aim of preserving local water sources and plans processes with the purpose of preserving water and minimizing its use.

## Monitoring and reporting non-hazardous waste

The company regularly checks and records the production of waste and has set specific reduction objectives based on previous performance. In 2020, we recorded a 19.7% reduction in the production of solid waste. However, there was an 11.4% decrease in the production of solid waste for recovery (of materials and energy) compared with 2019, with a greater percentage of disposal by incineration.

## Environmental impact of packaging

The company has carried out a formal analysis of packaging design and materials to identify opportunities for optimization in order to minimize environmental impact; over the last two years, the company has reduced packaging waste at source, by reducing the materials used in its product packaging.

The packaging used by the company is recyclable and provides instructions for correct recycling; the packaging used by the company is not toxic; our packaging materials are designed to have an impact that is lower than that of commonly-used alternatives.

For 2020, the company had committed to continue focusing on design and reduction of the impact of packaging on the environment, by choosing materials from renewable sources and increasing its circularity index. As shown by the following KPIs, the objective has partly been achieved. Thanks to the continuous attention devoted to packaging design processes, the company was able to cut down on the quantity of material used in packaging. It was calculated that from 2014 to 2020, the optimization implemented in packaging design, in the choice of materials and elimination of unnecessary parts, resulted in an overall saving of 630.8 tons of plastic, 46.6 tons of paper and cardboard and 48.8 tons of glass. However, the 2020 circularity index for packaging materials was down 3.6% from 2019, as the total mix contained more plastic from renewable sources, which was bio-based, virgin material purchased to deal with the steep increase in the production of sanitizers to meet the high demand from the market.

Looking at the total packaging materials purchased by the group in 2020:

- 64.3% comes from renewable sources (paper, bio-based plastic, wood, cotton);
- 60.5% is recycled material (paper, plastic, glass);
- 33.3% is plastic material.

Looking at the total paper and cardboard purchased by the group in 2020, 95.3% is recycled material.

For 2020, the company had also set the goal of increasing the percentage of recycled, bio-based packaging in the mix of our plastic packaging: the objective was reached with a 3.6% increase over 2019 (see details below).

Looking at the total plastic materials purchased by the group in 2020:

- 32% is virgin from renewable sources (bio-based);
- 27.4% is recycled;
- 39.5% is virgin plastic from fossil sources.

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## Percentage of reusable/recyclable/biodegradable materials in products

Between 75 and 99% of the materials used for our products (in volume) consists of recyclable materials (labeled as such) or biodegradable materials in the areas where they are sold (product + package).

## Sourcing of raw materials

Out of the total ingredients purchased by the group in 2020:

- 61.9% are of natural origin
- 21.2% are modified natural materials
- 16.9% are synthetic
- 73.3% are highly biodegradable (method OECD 301, CE Regulation No.648/2004)
- 29.9% have environmental and/or social certification

## Methods for reducing use of chemicals

The following ecological products were purchased for most of the company's plants: Non-toxic cleaning products; unbleached, chlorine-free paper; soy-based inks or other inks with low content of volatile organic compounds; office supplies with recycled materials and/or purchased from list of preferred environmentally-responsible suppliers (paper, pens, notebooks, etc.)

## Management of chemicals

The company has undergone an evaluation of products and processes to identify potential toxic contaminants generated by production; it has identified specific categories of potentially harmful chemicals (e.g. carcinogenic, mutagenic, reproductive toxic, endocrine disruptors, persistent and bioaccumulative substances); we made a list of substances subject to restrictions and followed a positive selection criterion or other decision-making process for chemicals; we established metrics and objectives for reduction or elimination of potentially harmful chemicals; we publicly disclosed chemicals and/or materials contained in the product (e.g. on the label, on the website, by means of a toll-free number, etc.).

## Other environmental management practices

The company has replaced a process that required the use of chemicals with one that uses a much smaller quantity of them; we have implemented methods that include the recycling and/or reuse of at least 50% of the materials; we have water recycling or closed recycle systems; we have implemented a program for use of renewable energy in internal processes.

## "Customers"

This section of the assessment identifies specific ways in which the products should be designed in order to have a given positive material impact for customers in addition to the value that the product or service normally provides. In our case, the company has contributed to the education or skill development of our customers, as the support to education and knowledge acquisition is a fundamental part of the product/service.

For 2020, the company had set the goal of starting a training program on sustainability. The objective was achieved with the launch of the Sustainability Salon Program in 2020. This is a sustainability training and certification program for salons that aspire to generate benefits for local communities and for the planet through their work.

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The program consists of 3 educational modules that deal with the topic of sustainability with respect to 4 macro-areas, on which salons can concretely intervene to improve their impact:

- Planet
- Leadership
- Community
- People

## Objectives for 2021

### Governance

- To increase the number of employees whose role mission includes references to sustainability, reaching 100% of managers at every level of the organization (directors, middle managers and department heads) in the Parma facility.
- To maximize our efforts in respect of transparency, by increasing disclosures on issues that are relevant for our stakeholders and to confirm the trust they have given us.
- In order to increase the presence of sustainability issues in every department, the company undertakes to reinforce the role of Sustainable Development Activators inside the organization, enhancing their visibility, influence and role inside each department.

### People

- To create a strategic corporate plan to increase our positive impact with respect to *Diversity & Inclusion*, starting with inclusion training for our staff.
- To develop a corporate program aimed at increasing the well-being of people and improving their work-life balance.
- To expand our range of training and personal development opportunities and increase accessibility by all Davines Group employees (Learning Hub).

### Community

- To increase the percentage of purchases (based on sales value) from local suppliers, with headquarters within 80 km from our Parma facility.
- To increase the number of suppliers and distributors, among our current ones, who are B Corp certified.

### Environment

- To mitigate our plastic footprint, by collecting part of the plastic litter in the environment, and at the same time confirming our commitment to eco-design aimed at continuous reduction of the impact of our packaging.
- To extend LCA analysis to 50% of the Group's product sales, increasing the number of lines analyzed with this tool.
- To continue our partnership with the Belgian-Ethiopian NGO Ethio Trees in activities for compensation of CO2eq emissions of the company's carbon footprint. This choice is the result of the company's desire to support Ethio Trees at a time of deep instability in the Tigray region of Ethiopia, which in November 2020 was shaken by a civil war. Since then, part of the amount paid for purchasing carbon credits (Plan Vivo certified) has been allocated to the shipment of food resources as humanitarian aid.

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- As part of the “Net Zero 2030” commitment, which Davines has undertaken together with 1000 organizations around the world, a structured action plan will be defined, consisting of concrete actions to reach the net zero emission objective by 2030, divided into 4 fundamental pillars:
  - **Measuring and monitoring** The company aims to complete and consolidate its mapping with the objective of obtaining a complete picture of its impact.
  - **Reducing:** Starting feasibility studies for the formulation of long-term targets to reach the net zero emission objective by 2030, as defined in international standards and in line with the reductions envisaged by the Paris agreement to keep the increase in global average temperature within the limit of 1.5°C.
  - **Neutralizing:** continuing to neutralize our emissions by investing in high-quality carbon sequestration projects certified by Planvivo. Carbon emissions are sequestered by means of activities that help to absorb CO<sub>2</sub>eq from the atmosphere, such as reforestation or afforestation: new trees regenerate soil and store CO<sub>2</sub>, removing it from the atmosphere.
  - **Engaging:** Continuing to engage our internal and external stakeholders with the aim of:
    - 1- increasing our knowledge in order to find effective, innovative solutions internally.
    - 2- maximizing our positive impact by promoting the transition to a zero carbon economy

## Conclusions

Dear shareholders, we are inviting you to approve this impact report in accordance with art.1 c.382 of Law 208/2015 regarding the pursuit of the common good, which is annexed to the annual report and consolidated financial statements and published on the Company’s website.

Parma, 1 April 2021

Paolo Braguzzi

(Impact Manager)

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