



GIULIO



DEBORA



DANIELE



ALESSIA



MARINA



CLAUDIO



GIGI



RAFFAELE



ANTONELLA



MIMMA

pinkfrogs
cosmetics

Sustainability Report
2017



ADNAN



DARIO



ALESSANDRA



ILARIA



MATTEO



SILVIA



MYRA



JENNYFER



MARCELA



FEDERICO



FRANCESCA



LUCIA



ELEONORA



FEDERICA



SILVIA



GRAZIELLA



RAFFAELLA



MARCO



ALESSIA



VALENTINA



ANTONIO



ELENA



SIMONA



SERGIO



MARIZITO



RICCARDO



KRISNA



FEDERICA



CATIA



TERESA



LUIGI



BILIANA



CLAUDIO

*To my family,
without whom none of this would be possible.*

pinkfrogs
cosmetics



Dear contributor, client, supplier, citizen of our community, friend,

If you are reading these words it means that the value of our effort reached its aim and therefore, first of all, I feel I have to thank you for the time you will devote to reading our story. I would like to thank also the enthusiasm and the devotion of the youngsters I had the opportunity to cooperate with, who stimulated me to carry out this job. The ideas and the points of whoever felt part of this project, the suggestions and the guidance of the clients and suppliers shared along with their experiences and whoever supported us on this path.

Even though this Report is the first explicit step of a long path started years ago, to me it represents the story I have wanted to tell for a long time. Putting in black and white not only the corporate actions implemented over the years, but also for the historical memory of a family that has always been committed to the care and beauty of people. I would have liked to have told this story in a simpler and clearer way, with less numbers and many pictures, but the willingness to adhere as much as possible to the most important and influential landmark in the field of sustainability reporting, the GRI standards, brought us to “give the numbers” in all the competence areas. We then decided to provide these numbers with precision and transparency, certain that our storytelling could offer a useful contribution to reinterpret a reality that is changing, a reality that can no longer do without a sustainable vision, which guides every instant of our life.

Sustainability is currently at the centre of our activities. As an enterprise, we know that every effort for a sustainable development is by itself sustainable if it helps the company to grow and prosper. Economic sustainability can no longer be the only development driver, now more than ever also in the small enterprises. The social responsibility has also become an integral part of the corporate goals over the years and it represents one of the fundamental levers for the planning of our future activities.

That is why with the publication of this Sustainability Report we documented not only the environmental indicators and performances, but also all the initiatives of social responsibility organized during the last years in the economic, social and environmental fields.

Sometimes I am asked if such an effort, for a small enterprise such Pink Frogs, is just a drop in the ocean. I answer that it is “a drop that hollows the stone” and with this spirit, I feed my enthusiasm trying to involve more and more people to add their drops to ours.

Dear reader, my hope is for you to find the patience to arrive to the end of this story with the same enthusiasm, to grab the hints that explain what we do daily with passion, becoming yourself the drop that joins ours. My wish, however, is that among all these hints, at least one could remain always with you: the awareness that our company deals with the future with faith and peace thanks to the responsibility of its people and their capacity of innovating every day.

The rest is important, but this counts even more for me.

A dear wish,

Matteo Locatelli
CEO

A handwritten signature in black ink that reads 'Locatelli Matteo'.

Indice

1. THE COMPANY	8
1.1 Sites description.....	12
1.2 Governance.....	14
1.3 Code of Ethics and Code of Conduct of Suppliers.....	18
1.4 The Values.....	20
1.5 The Production Process.....	22
1.6 The Products.....	26
1.7 Membership to Organisations and Associations.....	30
1.8 Certifications.....	32
1.9 Materiality Analysis and stakeholder engagement.....	34

2. SOCIAL	40
2.1 Employees.....	41
2.2 Safety.....	47
2.3 Training.....	49
2.4 Health and safety of the employees.....	51
2.5 Iniziatives in the social field.....	56
Goals	58

3. ENVIRONMENTAL	60
3.1 Sustainability in Pink Frogs.....	61
3.2 Materials.....	63
3.3 Energy.....	65
3.4 Emissions.....	66
3.5 Water.....	68
3.6 Waste.....	70
3.7 Biodiversity.....	72
3.8 Iniziatives in the social field.....	75
Goals	80

4. ECONOMIC	82
4.1 Economic Impact.....	83
4.2 Added Value.....	84
4.3 Supply chain: The Suppliers.....	86
4.4 Supply chain: The Clients.....	88
Goals	90

Methodological Note.....	92
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CORPORATE framework



SOCIAL framework



ENVIRONMENTAL framework



ECONOMIC framework

1. THE COMPANY

pinkfrogs
cosmetics



Pink Frogs Srl is a company that produces cosmetics founded in 1979 as the consolidation of a family enterprise born in 1939.

Founded with the initial aim of offering a service of formulation and production of hair cosmetics for highly specialized clients, the organisation has been structured over time, increasing its production capacity and expanding its area of competence to the whole sector of the non-decorative cosmetics. Pink Frogs is a limited liability company and the CEO is Dr. Matteo Locatelli.



pinkfrogs
cosmetics

1939

1946

1956

1979

1989

1996

today

Mario Locatelli founds the “**Ditta Individuale Imperiale Mario Locatelli**”, devoted to the production of hair products. Pioneer of the sector, Mario Locatelli is the first to experimentally realize the liquid of the perm and his products are soon sold throughout Italy.

A small wholesale store for hairdressers is opened and different brands are sold.

His wife Maria opens a **School for Hairdressers**: it will be the first institute in Milan to achieve the recognition of the Lombardy Region. The school gains importance at international level and in the following years the **Academy for Professional Makeup** joins.

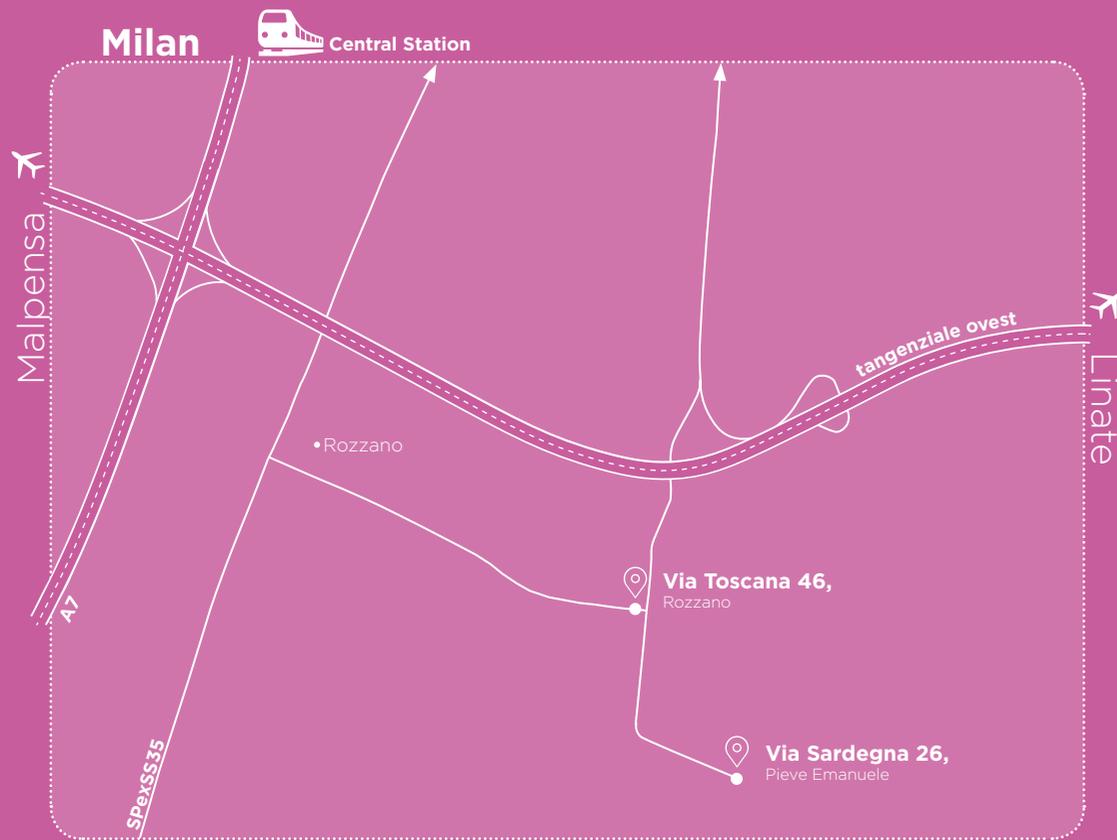
Pink Frogs is born: the production of Locatelli products is accompanied by the production for third parties.

To give a boost to the production, an internal renovation is done. In the following years, the production is quadrupled.

The third generation takes over, bringing the company to a turning point. With Dr. **Matteo Locatelli**, the current CEO, the sales conquer the international markets, a **division for R&D** is created and the production constantly increases.

Today many steps forward have been done. Pink Frogs can count on a commercial and marketing structure for a complete assistance service. It has two research laboratories that actively work to develop more than 300 formulas every year. Pink Frogs has increased the production exponentially and it has diversified its expertise becoming successful in skincare, haircare and medical devices.

1.1 Sites Description



Pink Frogs operates in two locations, both in the Milanese hinterland: the **legal administrative headquarters** are located in **Rozzano, in viale Toscana 46**, while the **operational headquarters** are in **Pieve Emanuele, in via Sardegna 26**. In November 2016, another structure in via Sardegna became operational as a warehouse.

Viale Toscana 46
Rozzano

The site occupies 1.500 m². The physical inputs are the raw materials and the output is the bulk stored into dedicated containers. Here there are also the laboratories for development and microbiological quality control of bulk and raw materials, where all the physic-chemical and microbiological analysis are conducted, to guarantee the conformity and the safety of the products used.

Via Sardegna 26
Pieve Emanuele

The site occupies an area of 3.500 m². Inside the plant are located the warehouses for packaging, intermediate and final products, the area for the setting up of orders and shipping, all the filling and packaging activities and the management and administrative functions. The plant has two floors and an unused basement.

Primary activities:

raw materials warehouse;

production
(preparation of the bulk and cosmetic solutions).

Support activities:

development laboratory;

quality and microbiological control;

standard archive and traceability samples;

offices area for the coordination of the activities.

Primary activities:

incoming packaging warehouse;
production (filling and packaging);
final products warehouse, orders and shipping set up;
washing area and maintenance of the units.

Support activities:

direction;
administration, personnel, technical, planning, purchase, quality control offices, marketing and sales;
research laboratory;
standard archive of the final products.

Areas and functions present on the site



1.2 Governance

The governance structure adopted by Pink Frogs is traditional. Being a single-member company, there is a **Management Board** chaired by the **CEO, Dr. Matteo Locatelli**, who has executive and decision-making powers.

The CEO has a vital role in the company, because he defines the global strategies to compete with success on the market, fixes the economic and organisational objectives and decides with the **Management Board** the actions that must be taken to reach them, he defines the politics of the investments and the vision and the mission of the company and makes them explicit and clear to all the staff.

The CEO and the Management Board are the central bodies of Pink Frogs' governance system, with functions of strategic direction of the company. The members of the Board are the **CEO**, the **Quality, GMP (Good Manufacturing Practices) and Environment Manager**, the **Operations Manager**, the **HR Manager** and the **Sales Manager**. These functions are fundamental for the company to pursue the sustainability goals, keeping a triple point of view: economic, environmental and social.

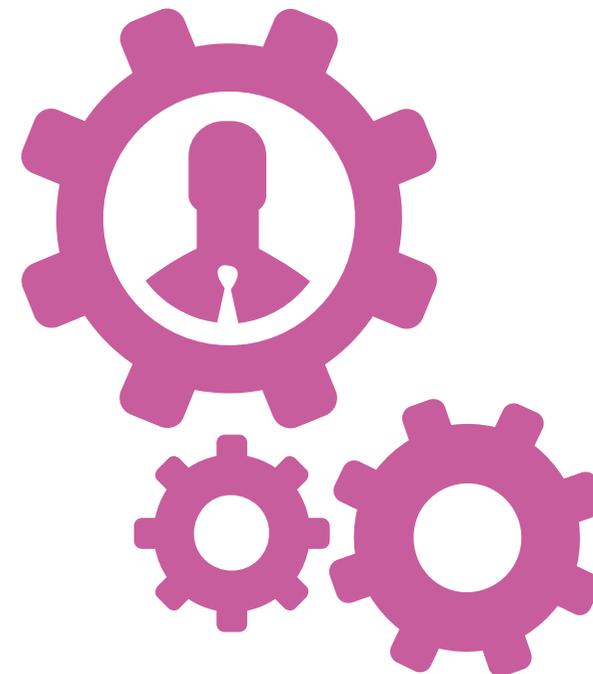
The Board is composed by four women, nominated by the CEO based on their position in the company, and by the CEO himself. The Board has guiding functions, but not executive. It meets once a month to share and discuss the critical concerns of the company, related to all the areas, like the production and the relationships with clients.

Responsible for **sustainability** are the **Quality, GMP and Environment Manager** and the **Sustainability Manager**. Specifically, the first one is in charge of the **ISO standards** and must assure their respect, as well as the quality of the products and the prevention and reduction of the environmental impacts. The second one coordinates the process of **drafting the Sustainability Report, updates the Code of Ethics and of Conduct**, and promotes sustainable behaviours inside and outside the company, with initiatives for the employees and the students from high school and university.

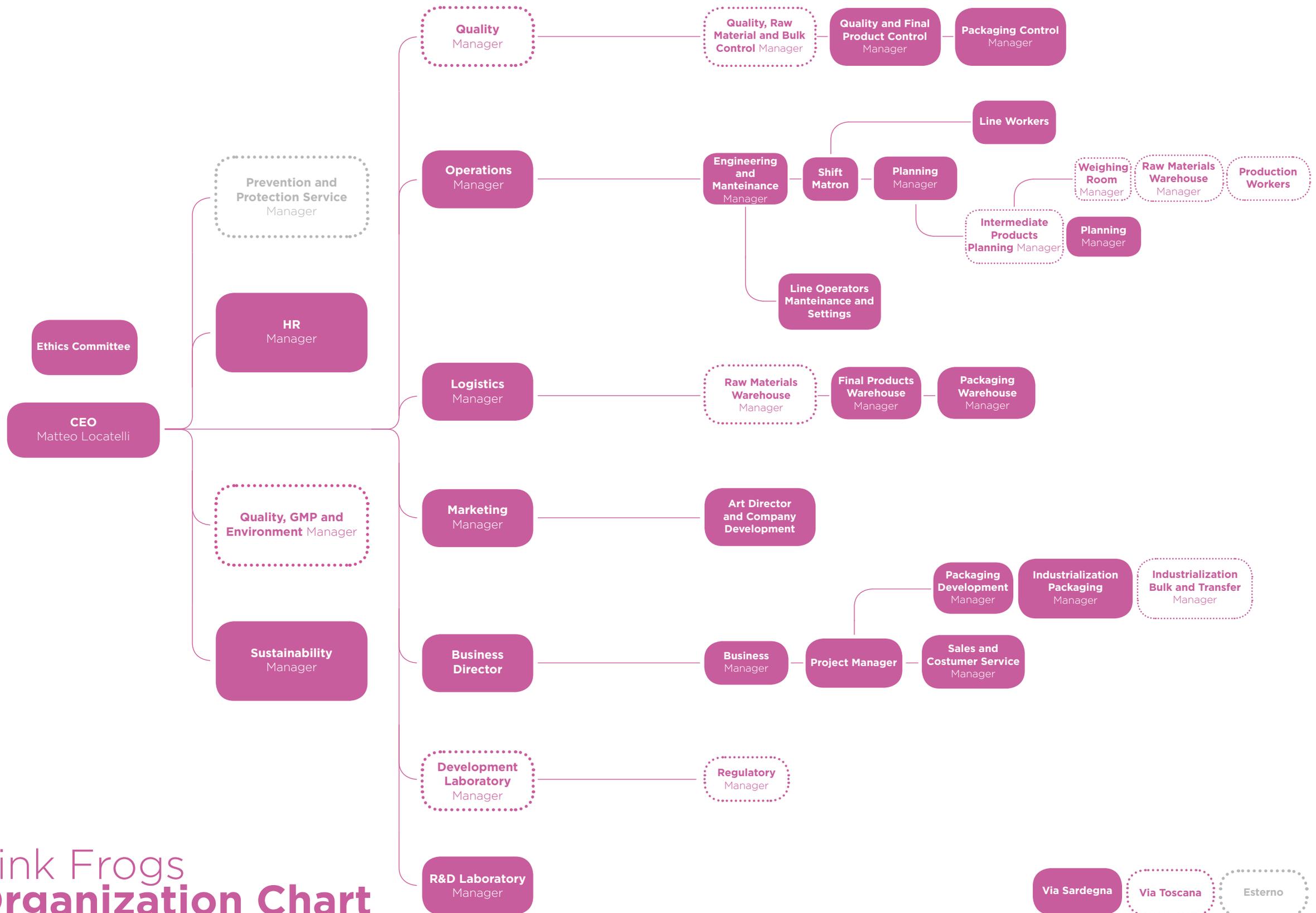
The **Ethics Committee** has the responsibility to assure the **respect of the Code of Ethics**. The Committee is composed by representatives of every category of employees present in the company, to guarantee their representativeness.

The Committee reunites once a month and, as well as assuring the respect of the Code of Ethics, it promotes Pink Frogs' values among the employees and the external stakeholders.

The employees can address the Ethics Committee if they have specific requests or to report misconducts or behaviours not in line with the corporate culture carried out by other employees or people involved in the company's activities. Thanks to the Ethics Committee the highest governance body can become aware of all the problematics relating to economic, social and environmental issues, and elaborate appropriate solutions.



Pink Frogs Organization Chart



1.3 Code of Ethics and Code of Conduct of Suppliers

From 2017, alongside the development of the Sustainability Report, Pink Frogs shares with all its stakeholders its **Code of Ethics**, which defines the principles and the fundamental values of the company, which must be respected by all the interested parts involved in the operations.

Pink Frogs gives maximum visibility to the Code of Ethics, giving a copy of it to all the staff and making it **available on the bulletin board and public on the website www.pinkfrogs.it** to favour the consulting by any external entity.

Pink Frogs' Code of Ethics addresses a vast number of people, with the intention of spreading it the most and to promote its values also outside of the organisation. In particular, **the Code of Ethics applies to the whole workforce, without distinctions**: the factory workers, the clerks and all the employees and the managers have to respect it. The last ones are responsible to put its values into practice, fostering the adoption of the values it entails as an essential element.

The Code is also binding for all the clients, the suppliers, the consultants and all the external collaborators and everyone who, in various ways and with different responsibilities, constitutes the organisation Pink Frogs and realizes its purposes, directly and indirectly. The respect of the Code is assured by the **Ethics Committee**, which meets monthly and takes decisions regarding the necessary measures in case of non-conformity.

Furthermore, Pink Frogs requires that all the suppliers respect the norms expressed in the **Code of Conduct of the Suppliers**, with a view to sharing the ethical principles and values of the company. The Code of Conduct of Suppliers is shared by Pink Frogs with all the suppliers, who commit to subscribing it and to respecting its contents.



1.4 The Values

Integrity



In Pink Frogs, correctness, loyalty and equity of behaviours inside and outside the organisation represent a common way of feeling and acting by all the people at every business level. It is vital that all the people inside and outside the organisation engage in the fight against corruption, which is categorically refused as a tool to manage business.

Innovation



To Pink Frogs, innovation is a fundamental principle, which allows to distinguish among competitors and to give added value to its work. Thanks to its R&D laboratory, the company can propose innovative formulas and satisfy and anticipate the requests of the cosmetics market.

Safety



The safety of the employees and workers is the necessary condition for a healthy working reality. For this reason, Pink Frogs adopts with constancy and commitment all the measures to prevent every eventual risks and injuries and implements a continuous politics of information and awareness for all the staff.

Quality



The activities of Pink Frogs are scrupulously managed according to rules and measures of guarantee, monitor and quality control.

Competence



Competence is at the basis of Pink Frogs' reliability. The staff is constantly trained to guarantee elevated standards of service according to norms of quality, safety and respect of the environment.

Trasparency



Pink Frogs commits to giving the information relative to all the actions taken at every level of the company to all its interlocutors, in a clear, complete and prompt way. The aim is to respond to the expectations of information and knowledge of the economic, social and environmental impacts of the organisation's activities.

Respect of the person



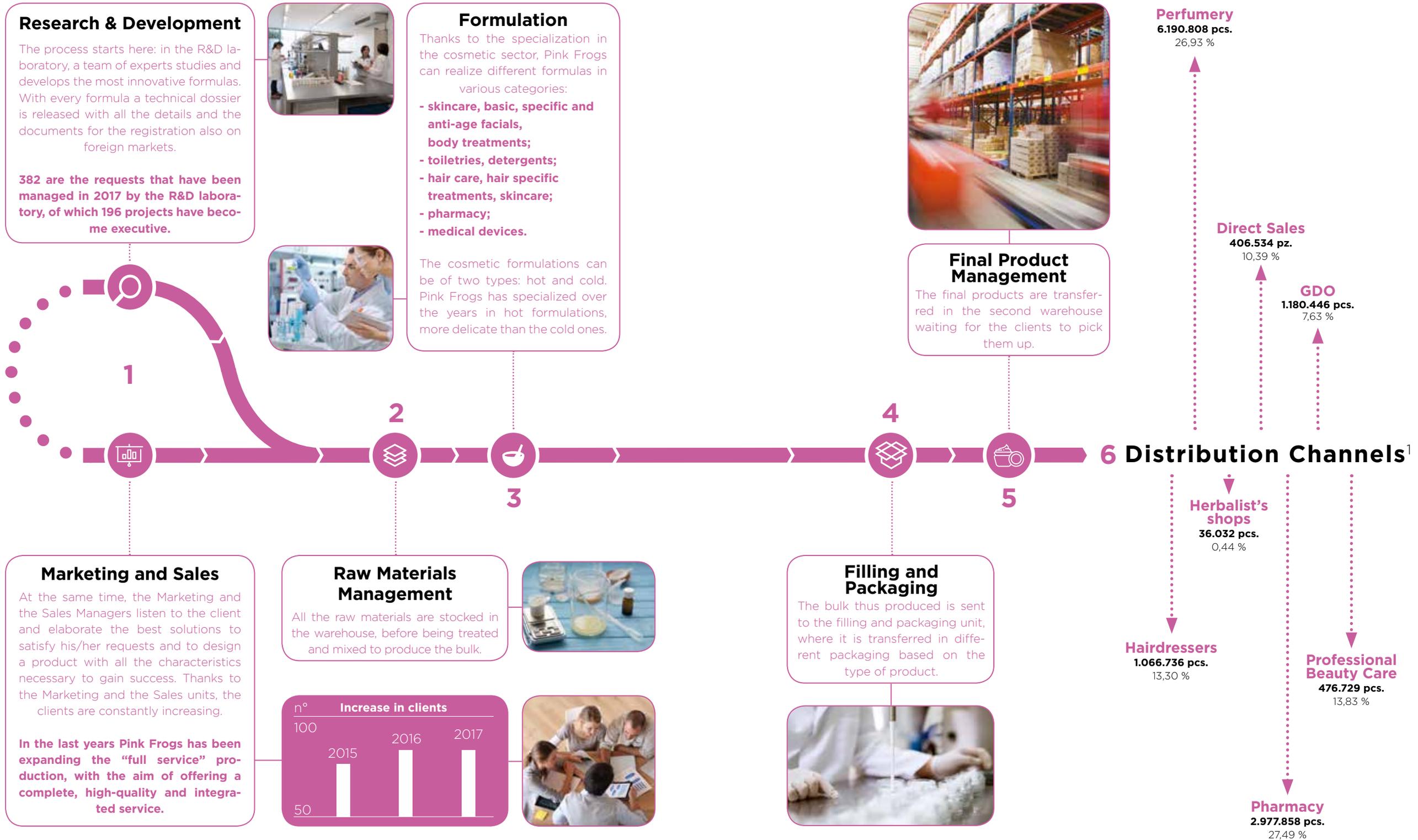
Pink Frogs supports the protection of human dignity and human rights, contrasting any detrimental and discriminatory behaviour, as well as any form of forced and child labour, according to the norms of the ILO (International Labour Organisation) Conventions, both internally and along the whole supply chain.

Protection of diversity



The company constantly commits to ensuring an equal treatment to all its employees and collaborators: it protects them from every kind of discrimination, for reasons of nationality, race, religion, political and trade union affiliation, language, age, gender and sexual orientation. The selection of the personnel is motivated by criteria of merit and professionalism, refusing favouritisms and discriminations of every kind. It further engages in respecting, promoting and protecting the diversity.

1.5 The Production Process



¹: The data in the graph refer to the number of pieces produced in 2017 and to the percentage on the total turnover.

Perfume

In 2016 a new production area has been developed, for the formulation, filling and packaging of perfume samples.

Pink Frogs offers a sampling packaging service with an extraordinary rhythm:

2
per **second**

7.200
per **hour**

100.000
per **day**

Just in one step!

One of Pink Frogs' objectives for the future is to increment the production of **samples** made out of **plastic**, more easily recyclable than glass ones, and to introduce the use of **FSC certified paper** to **reduce the environmental impact of the samples packaging** and to live up to its sustainability values.

1.6 The Products

Pink Frogs designs and realizes cosmetics with high standards of quality, safety and respect for the environment. The production is exclusively for third parties, for every distribution channel: GDO, Pharmacy, Perfumery, Professional Beauty Care, Herbalist's shops, Hairdressers and Direct Sale. The products comprehend: **Skin care** (basic, specific and anti-age facials, body treatments), **Toiletries** (detergents), **Hair care** (hair treatments, skin care), **Perfumery**, **Sun care** (sunscreens, oils), **Pharmacy** (skin products, baby care, sport products, cosmetic complements anti-head lice, trauma, anti-varicose) and **Medical Devices**².

Pink Frogs offers an integrated service to the clients, to identify and position the new products on the reference markets, helping them in the realization of their products. From the research of the pack to the realization and launch of a product, Pink Frogs guarantees a full service, developing highly qualitative formulas with the most innovative active ingredients.

To keep up with the requests of the market, more and more oriented towards natural and organic products, Pink Frogs realizes natural products with ingredients, active substances and processes more and more sustainable. All the cosmetics produced by Pink Frogs respect the Italian and European law for what regards the health and safety of the consumers.

Pink Frogs offers two different types of services to its clients: contract work and full service.

In the first case, Pink Frogs deals exclusively with production, filling and packaging, but the decisions regarding the composition of the bulk and the type of packaging used are taken by the client. In the case of full service production, instead, it is Pink Frogs who proposes the formulation, the packaging and the best solutions for the realization of the final product.

Pink Frogs wants to expand even more the full service production, in order to have more autonomy in every aspect regarding the development of the product - from the selection of the raw materials, to the formulation and the definition of the packaging, etc. - with a logic of partnership with the clients.



² The data reported on the graph refer to the number of pieces produced in 2017 and to the percentage on the total turnover.



Thanks to the R&D laboratory, Pink Frogs can offer innovative formulas, which have gained recognition over the years by the market and the stakeholders through a series of **prizes**.



2014

Cosmopack The Wall

Pink Frogs receives the Innovation & Inspiration Award for the best innovative skincare formula at the Cosmopack The Wall Contest, held during the Bologna Cosmoprof, one of the biggest fairs in the cosmetic and beauty sector.

Cosmetic Award
Pink Frogs is among the three finalists for the Cosmetic Award by Cosmetica Italia in the category "small-medium enterprises", the only one to be a B2B company. This important recognition has been assigned to those enterprises that have distinguished themselves for the innovation in the communication and in the transformation dynamics towards their clients.

2015



Cosmoprof Trends

The Face Detergent Stick launched by Pink Frogs at the Cosmopack 2017, the biggest international fair dedicated to the cosmetic supply chain in all its components (raw materials, machinery and automation, packaging, contract manufacturing and full service solutions), has been selected among the first 25 trend products by a very well-known international trend agency: Beautystreams.



2017

Cosmopack The Wall
Pink Frogs, during the Cosmoprof, wins the Cosmopack The Wall Contest for the Best Skincare Formula, thanks to a great team work that made it possible to create a surprising and innovative product, the Sleeping Metallic Mask.

2017



1.7 Membership to Organisations and Associations

As part of its relationships with the stakeholders, an important role is played by the **relationship with the trade organisations and associations**. The participation to the initiatives of the associations allows Pink Frogs to be updated on the evolution of the reference operational context, not only from a normative and regulatory point of view, but also from that of the changes in the requests of the market in terms of sustainability.



Federchimica³ is the Chemical Industry National Federation. Among its objectives: it coordinates and protects the role of the chemical industry in Italy, promotes its developmental capacity and elaborates the economic, industrial, trade union course of action, as well as in terms of ecology and environment, development and innovation and energy policies.

Pink Frogs adheres to Federchimica's voluntary programme **Responsible Care**. In 2015 Pink Frogs won the "Responsible Care Federchimica Award 2015", which rewards the excellences in the sustainable development in the chemical industry, thanks to its sustainable label⁴.

FEDERCHIMICA



Assolombarda⁵ is the association of the industrials in the provinces of Milan, Lodi and Monza e Brianza. Pink Frogs plays an active role in this association, which favours the development of the associated enterprises giving support, constant updates and occasions of training on the main topics and technical aspects.

From 2014 Pink Frogs joins the Italian **Code for Responsible Payments** promoted by Assolombarda, in collaboration with the Bocconi University in Milan and aimed at the respect of the deadlines of payments and the diffusion of punctual and efficient practices of payment. The project aims at improving the reputation of the Italian enterprises on the national and international markets, strengthening their competitiveness.

ASSOLOMBARDA



Cosmetica Italia⁶, born to support the development of the cosmetic enterprises in Italy, is now a structured association - the biggest in the European sector- that offers services, representation and protection to the 500 associated enterprises.

Dr. Matteo Locatelli, Pink Frogs' CEO, is the president of the Contract Manufacturer Production Group of Cosmetica Italia. He is also Counsellor for the sustainable development and in the last years he has been promoter of numerous events regarding sustainability in the contractors group, supporting this cause and promoting it in the Italian contractors' world.

COSMETICA ITALIA

³: <https://www.federchimica.it/>

⁴: See par. 3.8

⁵: <http://www.assolombarda.it/>

⁶: <https://www.cosmeticaitalia.it/home/>

1.8 Certifications

As part of the commitments made, the achievement and the maintenance of the certifications allows Pink Frogs to control and monitor the production processes, ensuring the achievement of quality and environmental objectives, in a logic of continuous improvements.

All the certifications are issued by the third-party institution Certiquality⁷.

ISO 9001

In the search for excellence for what regards the quality of its products and services, Pink Frogs has obtained the certification ISO 9001:2015, which defines the requirements for a quality management system.



ISO 22716

Pink Frogs has obtained the certification ISO 22716:2008, the standard on the "Good Manufacturing Practices" in the cosmetic industry. The GMP are a set of rules which describe the methods, the machinery, the instruments and the management of the productions to ensure the appropriate quality standards. They regard both the production and the quality control.



ISO 14001

To prove its path towards a use of the resources increasingly sustainable and the reduction of its environmental impacts, Pink Frogs is certified ISO 14001:2015, the standard which sets the requirements for an environmental management system.

In 2017 Pink Frogs, to respect the new requirements for the ISO certifications 9001:2015 and 14001:2015, conducted a detailed risk analysis, to evaluate and monitor the potential risks of the different activities inside the organisation and in the relationships with its stakeholders, with the prevision of corrective actions in case of high risk. The analysis is constantly updated, so that the Management Board can always be aware of the critical concerns found.



In 2018, Pink Frogs began the path to obtain the certification **ISO 13485:2016**, which defines the quality rules regarding the production of medical devices, to further specialize in the medical field, in addition to the cosmetic one.

⁷: <http://www.certiquality.it>

1.9 Materiality Analysis and stakeholder engagement

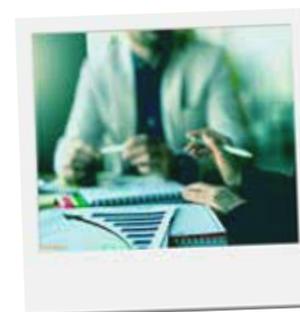
As part of the realization of its first Sustainability Report, Pink Frogs conducted a **Materiality Analysis**, as an in-depth analysis on the relevance of the implications and of the economic, social and environmental aspects of its activities, aimed not only at identifying what to communicate through the Report, but also and above all to reinforce its sustainability strategy and to improve its capacity of creating value over time.

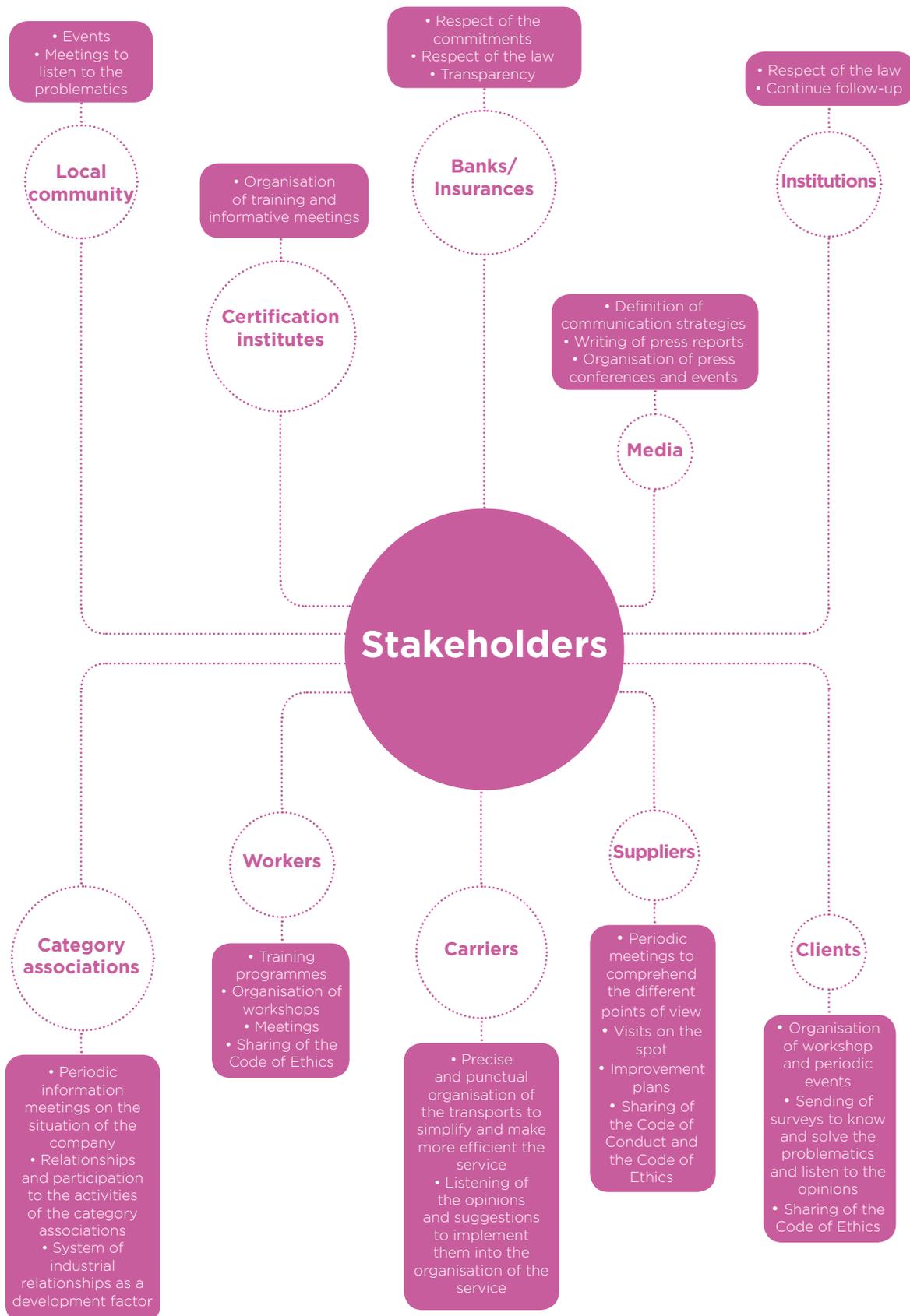
Following the GRI Standards, which collocate the Materiality among the key principles to define the Report's contents, the Analysis has been conducted on two levels, one internal and one external to the organisation:

1 At the **internal level**, a dedicated Working Group has been created, guided by the Direction, with the goal of examining the current positioning of the company with respect to the sustainability challenges posed by the operational context and the reference market. The activity of the Group has been focused, first of all, on the comprehension of the social, environmental and economic implications of its activities, read through the information and data required by the GRI through its Standards framework and contextualised with respect to its sector, the Cosmetics. For the purpose, in addition to GRI, specific reports and publications have been examined, like the Socio - Economic Development and Environmental Sustainability Report 2017 published by Cosmetics Europe, the European category association for the cosmetics and personal care, which defines the contribution of the sector to the socioeconomic development of the EU and the main challenges it must face, especially under the environmental profile.

This analysis allowed, on the one hand, to trace back the initiatives and the environmental and social projects done until now by Pink Frogs to the various GRI Standards - giving a picture of the commitments made and the results achieved in the different contexts - on the other hand, to highlight the fields of activity in respect of which the corporate reflection, in terms of sustainability, was less developed, giving an important indication in terms of definition of the future objectives. In this regard, whilst today the company can boast a relative maturity in terms of environmental management certified according to the international standard ISO 14001 from 2014, it also has the necessity to strengthen and extend the awareness of the environmental implications of its business to a logic of supply chain and in a life cycle perspective of its activities.

2 At the **external level**, starting a path aimed at deepening the most relevant needs, expectations and topics, in terms of sustainability, felt by its stakeholders. In this regard, the process was, first of all, to map all the interested parts, internal and external to the company. The **stakeholder mapping**, guided by criteria given by the AA1000 Stakeholder Engagement Standard (AA1000 SES), allowed to identify in the Clients and in the Suppliers the priority interlocutors regarding the developing an engagement process from the sustainability point of view. In its role of contract manufacturer, Pink Frogs can indeed play a key role in the promotion and diffusion on the market of products with better characteristics in terms of environmental performances. Whilst, on the one hand, among its principal goals of its mission there is the one to respond to the expectations of the clients who produce for the final market, satisfying their requests and specific production needs, on the other hands, the capacity to offer and integrated service to the companies - from research and development, to the setting up of new formulas and products, to their realization, launch and commercialization - engages Pink Frogs towards the research of solutions more and more sustainable, to be proposed to its clients and to be realized in collaboration and partnership with its suppliers.





The awareness of this role on the market has guided the listening process of suppliers and clients, through the realization of a **survey** aimed at investigating the perception and the expectations of those stakeholders in the different areas of sustainability.

The survey was sent to 35 companies, of which 20 clients and 15 strategic suppliers of raw materials and packaging, equal to, respectively, 70% of the total turnover of the clients and 30% of the total turnover of the suppliers. 9 companies responded to the survey. The questionnaire was filled in overall by 7 companies and **accompanied by specific follow-up meetings** with some of the respondent companies.

The commitment by Pink Frogs is to engage, in the next years, all the clients and suppliers, with the goal of organizing a roundtable and follow-up meetings, to have a broader and more complete vision of its supply chain for what regards sustainability.

The Analysis, however limited from the point of view of the number of subjects engaged, constitutes a first important starting point, on the basis of which strengthening and deepening the strategy and the **sustainability approach**.

Through the survey, it was asked to clients and suppliers to define, among the proposed options:

1. The topics felt as priority in the different areas of sustainability;
2. The aspects felt as priority in the relationship with Pink Frogs.

The analysis of the replies to the survey confirmed the strategic nature of the relationship with clients and suppliers as partners of Pink Frogs' sustainable approach development.

Following the approach suggested by the GRI and commonly adopted in the sustainability reporting processes, the **Materiality Matrix** shows the principal results of the Analysis, identifying the material topics for the stakeholders and comparing them with the most significant ones for the company:

- **the capacity to maintain good economic results over time;**
- **the amount and continuity of the investments in technological innovation and in R&D;**
- **the protection of health and safety;**
- **the maintenance of certifications for the quality of the performances;**
- **the attitude towards the development of partnerships for environmental initiatives and projects;**
- **the adoption of environmental policies.**

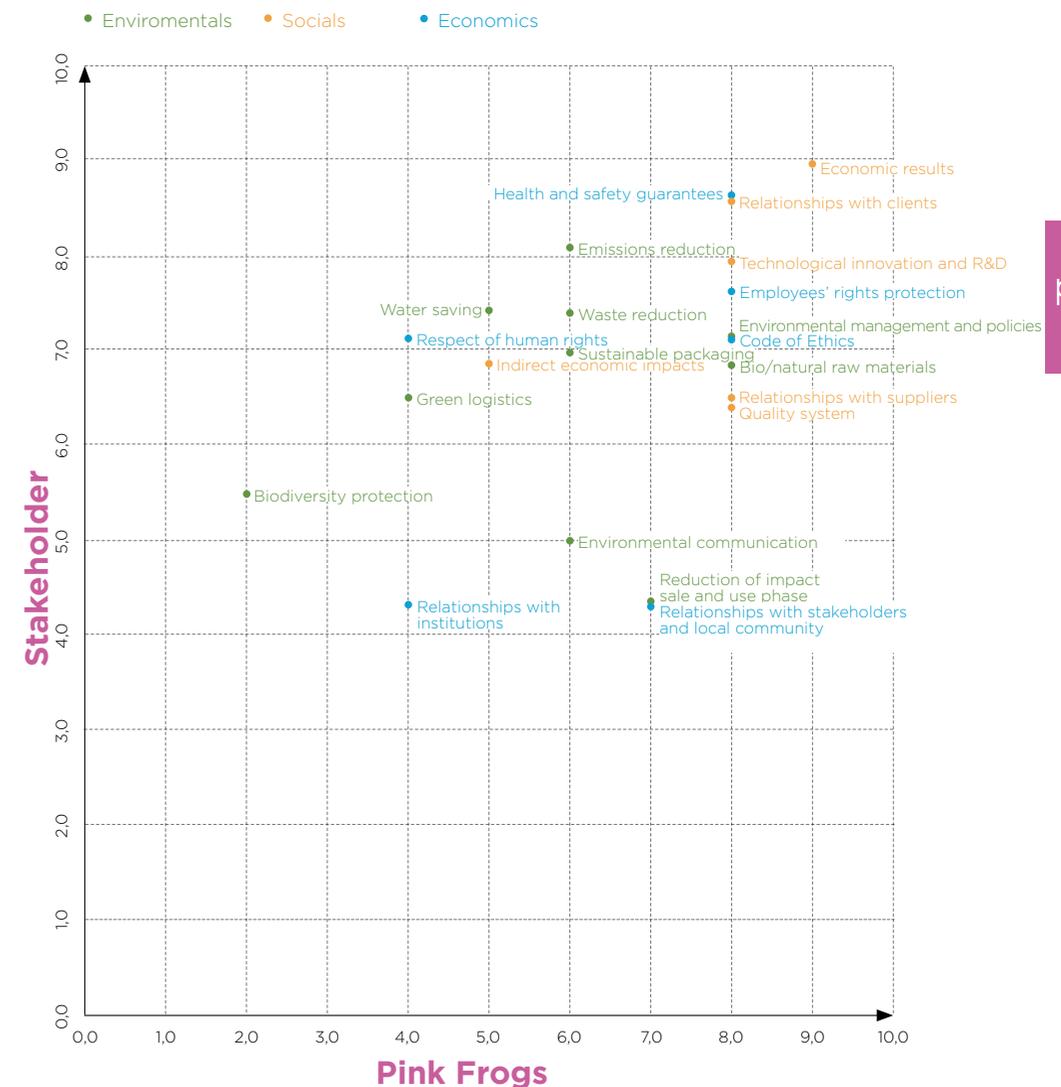
The **Clients** appreciate the ability of Pink Frogs to satisfy their needs, proposing innovative formulas and quality products and they **evaluate positively the company commitment to their involvement in initiatives to promote the sustainability culture** in collaboration with the brands for whom it works.

Towards the **Suppliers**, there was the chance to strengthen the deepening and the dialogue on the sustainability topic. In addition to rewarding, when evaluating, the suppliers who have the environmental and quality certifications, the company wants **to increase the awareness of the social and environmental impacts along the whole supply chain**. A first result achieved, in this path, was the drafting and distribution among all the suppliers of the Code of Conduct, through which to promote and to reinforce the respect of the corporate principles and values expressed in the Code of Ethics.

Other relevant topics are the capacity of the company to generate development through its economic performances, but also the attention to the **health aspects and safety protection** of the employees and along the supply chain. Pink Frogs' aim is to extend the

consultation, in 2018, to a greater number of stakeholders, to have a **set of data and information** big enough to give a vast and articulated representation of the material topics through the Materiality Matrix and to adopt **more effective and structured stakeholder engagement ways**. The strengthening of the stakeholder consultation process will allow to improve also the process of reporting, to make it more aligned with the needs of information of the interested parts.

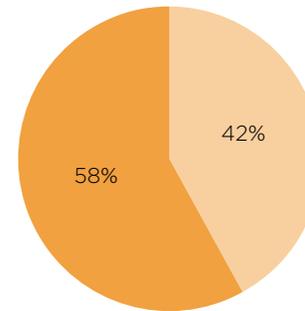
Materiality Matrix – Pink Frogs



2. SOCIAL



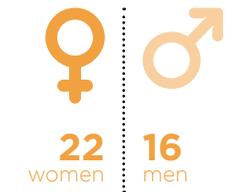
2.1 Employees



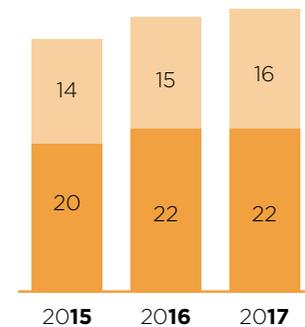
Graph 1
Workforce by gender (percentage on total) in 2017

Men
Women

38 employees



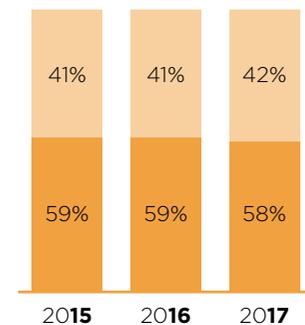
Pink Frogs' workforce in 2017 is made of **38 employees**, of which 58% are women and 42% are men, above the average of the European cosmetic industry (56% women and 44% men)⁸. For many years the majority of the employees has been represented by women, with a considerable amount among the managers and the highest governance body. The number of employees has increased in the last three years, in line with the increasing trend in production. The percentage of men and women has remained constant over the years, with a prevalence in the number of women.



Graph 2
Number of employees by gender in the last three years

Men
Women

+ 11%
Increase in employees in the last three years



Graph 3
Percentage of men and women on the total workforce in the last three years

Men
Women



41

⁸: Socio-Economic Development and Environmental Sustainability - The European Cosmetic Industry's Contribution 2017, Cosmetic Europe (2017)

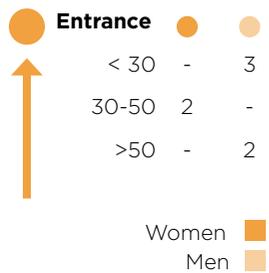
Pink Frogs always applies merit and professionalism criteria in the selection of its staff. It is important for Pink Frogs to offer stable positions, with the chance to grow inside the company. For this reason, 100% of the employees is hired with a permanent contract, of which 8% has an apprenticeship contract - usually of apprenticeship - which aims at the growth and the training of the personnel inside the reality of Pink Frogs. All the employees work full-time.

Infographic
Employees by contract and gender in 2017

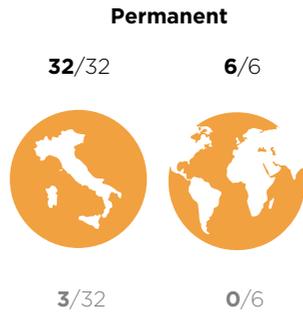


of which Apprentices

Infographic
Annual entrance turnover in 2017

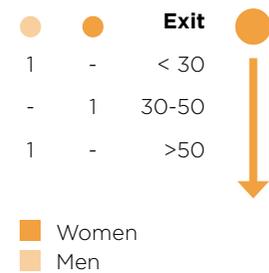


Infographic
Employees by type of contract and region in 2017



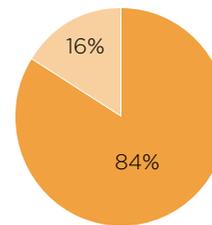
of which Apprentices

Infographic
Annual exit turnover in 2017



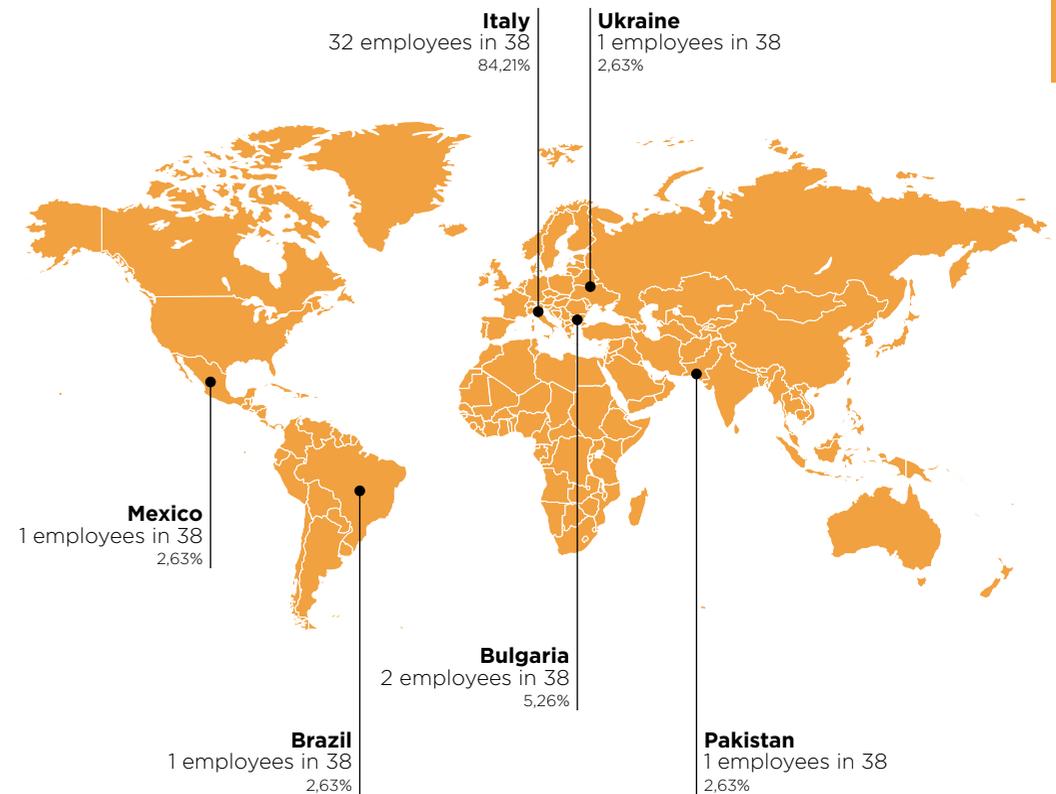
Pink Frogs employs seasonal workers through a local cooperative, for the “end of line” processes (cartooning, packaging, etc.), for the cleaning service and other internal services (washing room, external warehouses). The number of the workers managed through the

cooperative in 2017 is 72, who have alternated during the year. As for the employees, Pink Frogs makes sure, through the request of adequate documental evidences, that the workers have contracts and are remunerated according to the law.

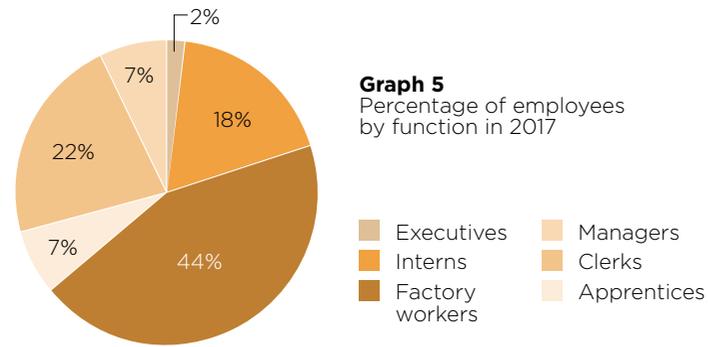


Graph 4
Percentage of employees by region in 2017

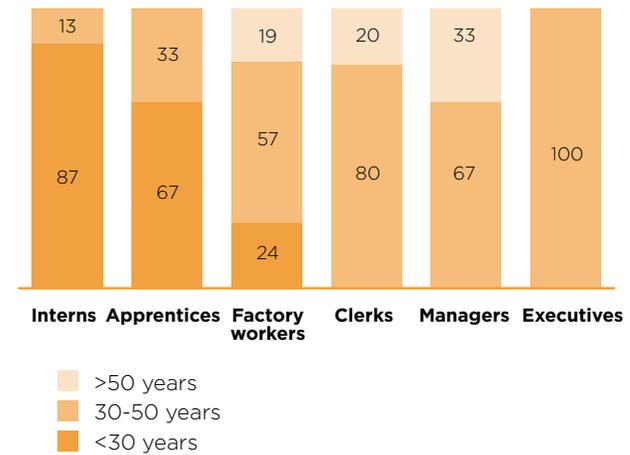
Italy 
Rest of the world 



Pink Frogs' workforce in 2017 is made of 44% factory workers, 22% clerks, 18% interns, 7% apprentices, 7% managers and 2% executives.



Graph 6
Percentage of employees by age group in 2017



Pink Frogs is a young and dynamic enterprise, up to date with the market trend. The employees under 30 represent the 30% of the total, in line with the European cosmetic industry⁹. The employees between 30 and 50 are the majority of Pink Frogs' workforce, with 55% of the total, while the ones above 50 correspond to 15%.

All the employees in Pink Frogs are remunerated according to the Italian law, pursuant to the norms of the CCNL (Labour Collective National Contract) of the Chemical and Pharmaceutical Sector¹⁰. The remuneration policies are based on the employee's contractual level, determined by merit and competence requirements. Between female and male gender, with the same level, differences in the salary are non-existent. The bonuses granted to the employees are based on the performance, both of the single person, and of the company in general and are assigned in a clear, transparent and impartial way. Under the trade union profile, in Pink Frogs does not exist today a mechanism of structured trade union and the employees do not adhere to trade unions.

	Women	%	Men	%
Factory Workers	8	38,10%	13	61,90%
Interns*	6	75%	2	25%
Apprentices	2	66,67%	1	33,33%
Clerks	8	80%	2	20%
Managers	3	100%	-	-
Executives	1	100%	-	-
total	28	74%	18	26%

Table 1
Employees by gender in 2017

*The interns are not counted in the number of employees

	Women	Men	total	Return rate
2015	2	-	2	100%
2016	-	-	-	-
2017	-	1	1	100%

Table 2
Number of parental leaves in the last three years



¹⁰:<http://www.assolombarda.it/servizi/assistenza-sindacale/informazioni/ccnl-chimico-e-chimico-farmaceutico-rinnovo-ccnl-2016-2018>



⁹: Socio-Economic Development and Environmental Sustainability - The European Cosmetic Industry's Contribution 2017, Cosmetic Europe (2017)



2.2 Safety

The safety and the health of its employees are a key topic for Pink Frogs. The employees have to regularly participate to training courses on the safety inside the company and during the year there are different evacuation tests. In 2017 the courses on safety amount at 68 hours, for a total investment by the company of 1,360 euros.

The number of injuries has remained extremely low in the last three years. The absenteeism rate in 2017 is 5%.

Responsible for the safety are the Prevention and Protection Service Manager, external, and the Responsible for the Safety on the job, internal to the company.



Data on employees' safety	2015	2016	2017
Mortal injuries	-	-	-
Injuries between 1 and 3 days	-	-	-
INAIL Injuries (>3 days)	-	2	2
of which while travelling	-	2	-
Lost days INAIL for injuries on the workplace > 3 days	-	86	35
Total working hours	50.929	55.254	62.797
% injuries hours on the total working hours	-	1,2	0,45

Table 3
Number of injuries in the last three years

In 2016 the accidents were due to the commuting, while in 2017 the injuries were caused by incidents on the workplace. After these incidents Pink Frogs conducted an accurate analysis to improve the safety of the employees on the workplace, having as an objective to diminish the injuries.



2.3 Training

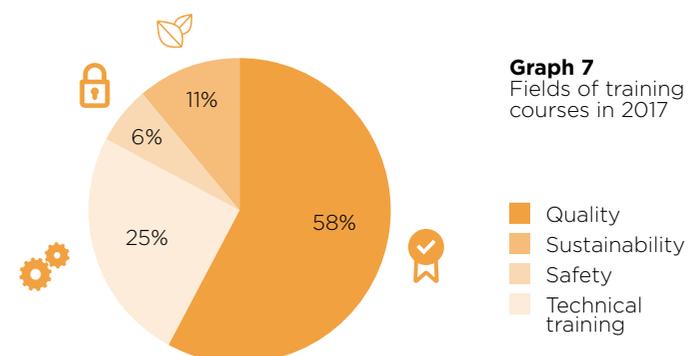
Pink Frogs supports the education of its employees to allow them to grow and bring new knowledge and competences to the company.

	Total hours	Cost (€)
2015	454	10.580€
2016	434	8.909€
2017	1.093	24.360€



Table 4
Number of training courses for the employees in the last three years

In 2017 the courses done were relative to: safety (6%), specific technical training (25%), quality (58%) and sustainability and environment (11%). In 2017 the company has invested 24.360 euros, for a total of 1.093 hours. The training courses involved different business levels and various functional areas, with the aim to allow the employees to specialize and be updated on their areas of competence.





In 2017 Pink Frogs financially contributed to the participation of the Sustainability Manager to the **the Master in Environmental Risk Assessment and Management** (in CINEAS)

She could thus acquire further competences in her field.

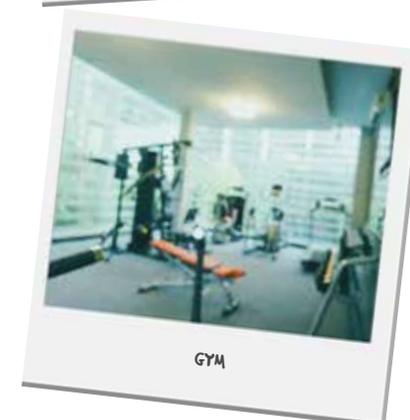
For the drafting of the Report, Pink Frogs employed a student of the **Master in Green Management, Energy and Corporate Social Responsibility** in Bocconi university.

She presented her final thesis on this project.

2.4 Health and safety of the employees

The health and safety of its employees is the priority for Pink Frogs. For this reason, the company tries to offer them the best working experience possible and gives them a completely equipped gym, free of charge, to be used in the lunch break or after work, to release stress and tensions and keep fit free of charge, thus creating a pleasant and stimulating environment.

Every year, during the last day before Christmas holidays, the company organizes games and activities to entertain the employees, offering a chance to relax, have fun and build interpersonal relationships.



Recycle and reuse



Talk us about you. What function do you occupy in the organisation?

I have been working in Pink Frogs for 14 years, I am a line worker and I work in the filling unit. Given my long experience in the company, I always try to give my contribution, helping my colleagues in different activities.

What do you think of sustainability in general and reuse and recycle specifically?

I think sustainability is something necessary for society today. Every day I witness too much waste, too many things, which are still as good as new, are thrown away. This is why I started recycling and reusing materials: to give them a new life. Now it is becoming more and more important to recycle and reuse and more and more companies are taking this path. For example, all the boxes thrown away can be used by moving companies, which look for this kind of packaging.

Tell us what you do with waste materials.

I take all those materials that would be thrown out and I use them to create new objects. I bring them home and involve my daughters in various activities: we create flowerpots, pencil cases, jars, boxes for the toys, paintings and everything that comes in our minds.

Why do you do it?

I've always loved doing manual jobs, in the past I used to create earrings and necklaces with polymer clay. Now I recycle objects and materials to involve my daughters in manual and artistic activities, to make them do constructive games, but first of all to make them understand that also a "waste" can be reused and have new value. To them it is fun, but it is also educational. Thanks to these activities they are now aware that they shouldn't waste, no matter how much money you have.

Which materials do you use?

I usually use pallets, but also boxes and kegs, which I use as flowerpots or boxes for the toys. The more extravagant they are, the more I want to bring them home to create new objects with my daughters. Apart from them, I also bring home broken or unused jars, which I use as containers for paints, or bottles, which become pencil cases. Now my colleagues know about my passion and they give me reusable objects when they can, like cardboard or glitters that are no more of use. On a piece of cardboard thick enough my daughters painted a painting and my parents keep it on the wall and are really proud of it.

How is it seen in Pink Frogs?

When I see my colleagues who bring home colourful cardboards for their kids' schools, I realize that I have influenced everyone, and this makes me proud of myself. Pink Frogs also proposed me to organize initiatives like exhibitions or laboratories for kids. I hope to be able to convey my passion to as many people as possible and first of all to make them understand that, before becoming waste, objects can have a new life.



The garden



Tell us about you. Which function do you occupy in the organisation?

In Pink Frogs I deal with pack quality control and pack development. I am also responsible for the logistics.

What do you think of sustainability?

To do small things every day, to leave a better future to our sons and daughters, this is sustainability for me. It is an important concept that we should always keep in mind. Unfortunately, in the cosmetic sector it's not easy to be "sustainable", because everything is based on the appearance. This brings to an excess of packaging, for marketing reasons, but we should remember that, in the end, what matters is the content, not the container. We should change the general vision of the cosmetics industry, to arrive someday to give less importance to image, and more to sustainability.

How did you come up with the idea of a common vegetables garden inside the company?

We came up with the idea when we had to clean an area of the backyard from some plants that had become too difficult to maintain and take care of. Once finished, I realized that the remaining space could be used as a vegetables garden, easier to manage. My colleague, Sergio, a line worker and maintenance man, and myself take care of it.

Why do you do that?

To me taking care of the garden is a way of relaxing and having fun, as well as a way to be more sustainable, in my own little way. Also at home I have my own garden, where I collect seasonal vegetables. To me being sustainable is a lifestyle: it's been years since I have bought fruits and vegetables at the supermarket, and instead I go to my trusted greengrocer. At a slightly higher price, I can eat seasonal fruits and vegetables that are fresh, long lasting and tasty.

What do you grow?

In the company garden we have zucchini, tomatoes, cuori di bue and datterini (kinds of tomatoes), eggplants, chillies, cucumbers and aromatic plants, like rosemary, sage, basil and lavender. Every year we decide what to plant based on the climate and what we prefer.

How does Pink Frogs see what you do?

In Pink Frogs the garden is seen in a very positive way. My colleagues use the vegetables we grow and we are happy to share them. I hope to convey my ideas of sustainability also to my colleagues, because it is fundamental that everybody commits to offering a better future to next generations.



2.5 Initiatives in the social field



● Ariel Foundation

Pink Frogs actively supports the Ariel Foundation, which deals with kids and teenagers with disabilities through projects dedicated to the participation to the cultural life, to the recreation and to the sport. Some employees participated as volunteers to the Christmas markets organized by Ariel Foundation in 2016 in the Clinical Institute Humanitas in Rozzano.



● Beauty Gives Back

In 2017 Pink Frogs was among the supporter of the event Beauty Gives Back, aimed at collecting funds to support La Forza e il Sorriso Onlus. The event's goal was to help women under cancer treatment to rediscover their beauty and their sense of well-being.



● Boutique Project

In 2017 Pink Frogs participated to the Boutique Project, a charity operation of On Hair related to the beauty world and promoted by Cosmoprof. Pink Frogs was one of the sponsors of this initiative and, in collaboration with Premi, a packaging producer, it created for the occasion the Body Oil Silk Dust. The profits of the initiative, 5,500 euros, were entirely devoted to the Association A.G.E.O.P. Onlus Research - Pediatric Oncology Ematology "Lalla Seràgnoli" - University Hospital Organisation of Bologna S. Orsola Malpighi.

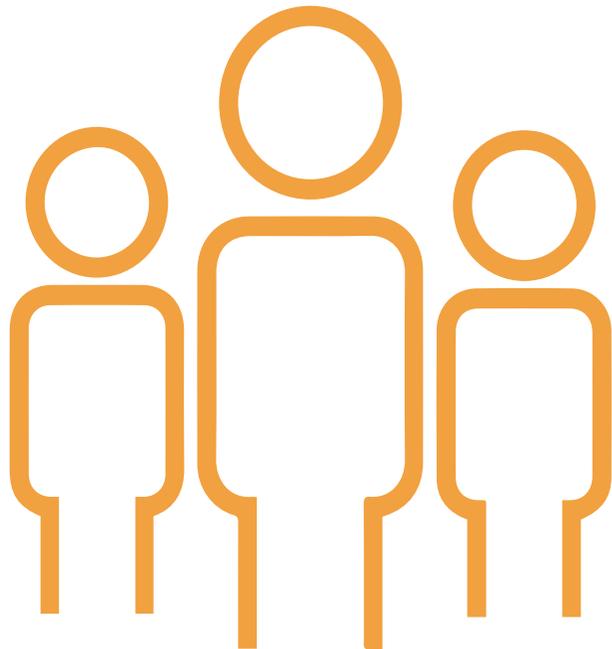
● School Projects

For many years Pink Frogs has been carrying out the project "Open Doors for the School". As part of it, it hosts students from high schools and universities to show them the production processes of the cosmetic sector. In 2017 three universities participated to the programme, one of which was French, and one high school, for a total of 70 students. Regarding the schools, Pink Frogs participates to the initiatives of alternation school-work, hosting every year some students, who can learn a job "on the field" and interact with the different functions inside the company. In 2017 two students from a technical school nearby took part to this project. During the initiative they worked in the laboratory and in the production units for a total of 336 hours. The business approach is to favour the inclusion through internships in different functional areas. That's why in 2017 four curricular internships have been activated, to allow students to have a first approach with the working reality. The involved areas were: marketing, R&D, quality control and sustainability, for a total of 2,488 hours.



Goals

- Consolidate the new business structure, with the introduction of supervision functions, who operate across all the processes, to have a wider view of the operations
...
- Improve the communication at every business level, to improve the awareness of risks and opportunities of the entire process
...
- Improve the production capacity with the increase in human resources
...
- Define an annual budget for the investments in social activities
...
- Offer to the employees the Faschim service, the National Fund for Sanitary Assistance for the employees of the chemical industry
...
- Organize initiatives to further involve the employees and their families





3.1 Sustainability in Pink Frogs

In Pink Frogs sustainability is based on three fundamental principles: protection of the environment, social responsibility and economic development of the company.

As part of its environmental management system ISO 14001, Pink Frogs respects all the principles of environmental protection (precaution, prevention of pollution and prevention and mitigation of the risks). In line with this approach, Pink Frogs takes measures of prevention, monitor and control of the activities' impacts, to reduce and use responsibly the resources in the production processes.

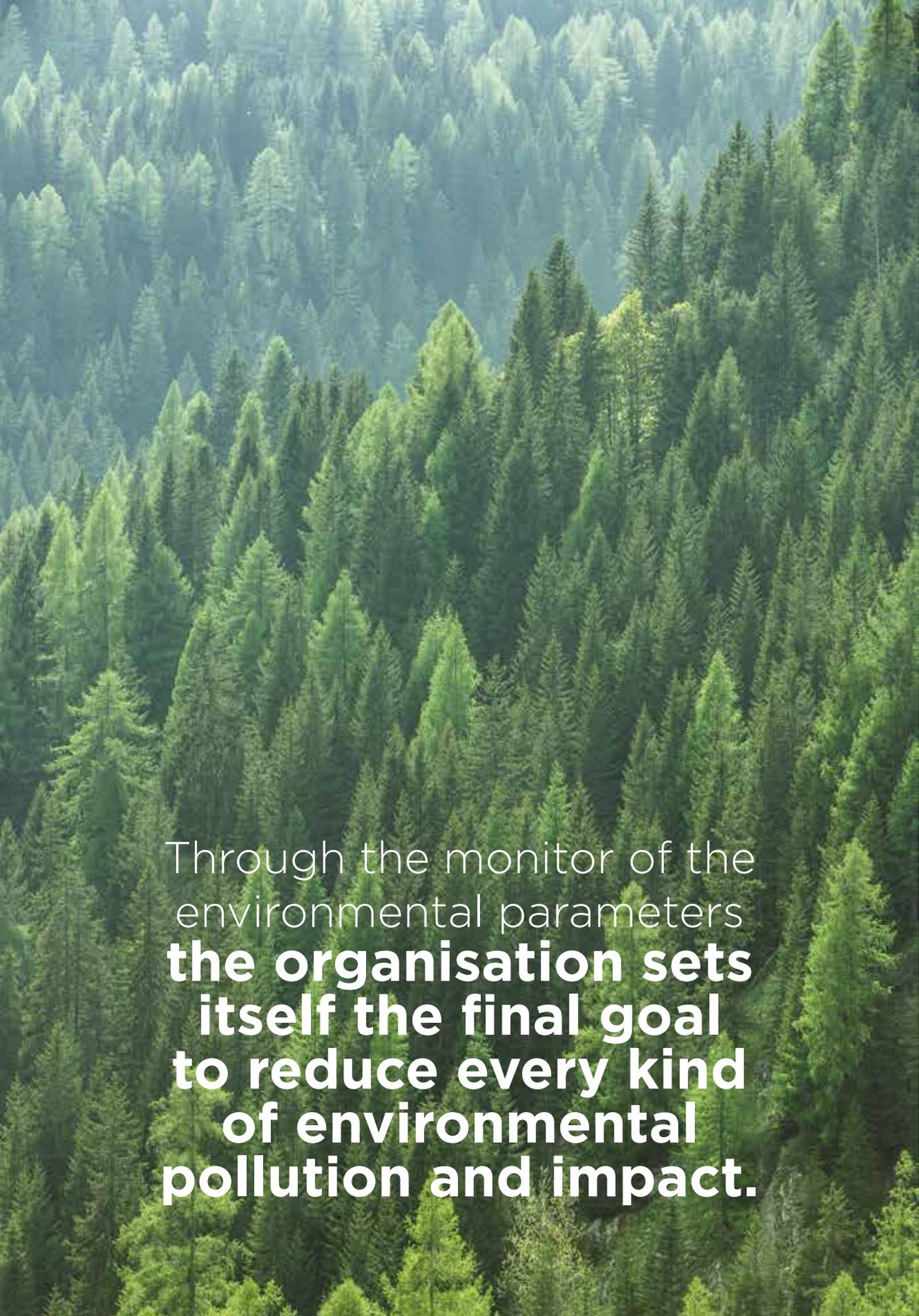
Pink Frogs' vision is to develop and produce cosmetics respecting these principles and spread the sustainability culture through all its stakeholders.

The path towards sustainability began in 2010 with the adherence to **Driade**, a regional programme aimed at the development of more efficient production processes and eco-compatible technologies. After it, the commitment was consolidated following the **"10 steps" by Cosmetics Europe**, concretising it in 2012 with the subscription to the **"Charter of Environmental Sustainability Principles"** by Confindustria and with the subscription to the voluntary programme **Responsible Care** by Federchimica.

Pink Frogs adopts innovative solutions aimed at reducing the environmental impact, like the purchase of disposable pallet bags to avoid the washing of the bulk containers, reducing the volume of water used to wash them, the time and the risk of microbiological pollution.

Inside the organisation it is important to promote a sustainable behaviour by every employee, with seminars and meetings on sustainability, activities and posters to raise awareness, for example, on the respect of the separate collection and the responsible management of waste. Different initiatives are promoted among the employees, like the cultivation of the common garden, or the recycling of waste materials, activities which, as well as promoting sustainability, bring also to positive aggregation moments inside the company.





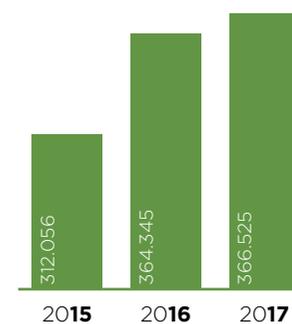
Through the monitor of the environmental parameters **the organisation sets itself the final goal to reduce every kind of environmental pollution and impact.**

3.2 Materials

The cosmetic solutions (bulk) are prepared mixing, in demineralised water, a number of “active” raw materials. From this mix the physico-chemical characteristics of the solutions, the perfume and the functional properties required by the client are determined.

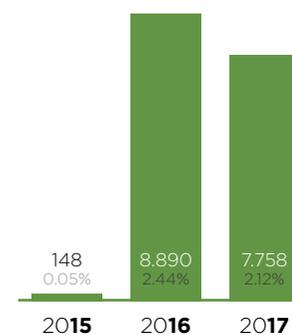
Working for third parties, the choice of the raw materials to be used in the production of the cosmetic solutions depends, generally, on the clients; the elaboration and the design of the recipes, as a matter of fact, is entirely handled and followed by/with every client, while in case of medical devices the formulation is entirely managed by the client himself.

The variation of the volume of raw materials purchased is generally strictly related to a decrease/increase of the volumes of production during the year.



Graph 8
Quantity (kg) of raw materials managed in the last three years

■ Quantity of raw materials



Graph 9
Quantity (kg) of organic raw materials purchased in the last three years

■ Quantity of raw materials

The quantity of organic raw materials presented a sharp increase in 2016, due to the purchase of organic raw materials for specific productions required by the clients. Anyway, the trend has been the rise in the last three years, because, despite the slight decrease between 2016 and 2017, it is possible to notice a general increase in quantity of organic raw materials compared to 2015. Pink Frogs forecasts that it will keep growing, in line with the market's expectations, more and more oriented towards green products. The goal for Pink Frogs is to expand the production of organic products or of natural origin, thanks to the increasing awareness of the clients regarding sustainability, proposing more innovative formulas and towards a more sustainable culture. With "organic raw materials" it is intended all the raw materials certified as organic, specifically the most required and used certifications are COSMOS¹¹, ECOCERT¹² and USDA-NOP¹³.

Apart from organic products, Pink Frogs uses a big quantity of natural raw materials or materials of natural origin. Pink Frogs offers to its clients the chance to produce cosmetics with a percentage of natural raw materials or from natural origin up to 98%.

Furthermore, more and more clients ask for packaging with better characteristics under the environmental profile, produced using recycled raw materials, or from certified sources.



11: <https://cosmos-standard.org/for-cosmetic-companies/>

12: http://www.ecocert.com/sites/default/files/u3/Natural-and-Organic-Cosmetic-Ecocert-Greenlife-standard-2012-with-TS_1.pdf

13: <https://www.ams.usda.gov/about-ams/programs-offices/national-organic-program>

THE PAPER

In 2017 the CEO, together with some employees, went to Sweden to visit the paper mill Iggesund, a possible future supplier of the company. The aim of the visit was to go into deep in the processes of production of paper used for the packaging.

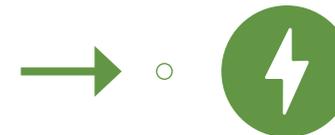
The paper produced by the paper mill is certified FSC (paper from controlled sources) and this means that every tree that is cut is monitored and controlled, in order not to put at risk the survival of the Swedish forests. Furthermore, the paper mill has a GPS system to know which trees must be cut and where it is necessary to replant.

Among Pink Frogs' goals for the future there is the will to purchase FSC certified paper, entering in the chain of custody of the paper.

3.3 Energy

As part of its activities, Pink Frogs uses electric energy and natural gas, for the power supply of the plants and of the electric devices, the lightning of the offices, the heating of the rooms and the generation of steam.

The consumption of gas in **via Toscana** is strictly related to the production, and it is variable especially in function of the kind of process (hot or cold) realized. Between 2016 and 2017 the consumptions related to natural gas have remained constant against an increase in production. In **via Sardegna** the variables that influence the consumption of energy are multiple (staff, offices, working hours, external factors, plants). The production in this site is more related to the electric consumption than the gas one.



	2015			2016			2017		
	Consumption	Relative consumption per quantity of bulk	CO ₂	Consumption	Relative consumption per quantity of bulk	CO ₂	Consumption	Relative consumption per quantity of bulk	CO ₂
Electric energy	64.235 (kWh)	63 (kWh/t)	24 (t)	74.352 (kWh)	78 (kWh/t)	27 (t)	82.458 (kWh)	74 (kWh/t)	30 (t)
Natural gas	19.656 (sm ³)	19 (sm ³ /t)	38 (t)	23.648 (sm ³)	25 (sm ³ /t)	46 (t)	28.111 (sm ³)	25 (kWh/t)	55 (t)

Table 5
Consumption of energy and natural gas in **via Toscana** in the last three years

	2015			2016			2017		
	Consumption	Relative consumption per quantity of pieces produced	CO ₂	Consumption	Relative consumption per quantity of pieces produced	CO ₂	Consumption	Relative consumption per quantity of pieces produced	CO ₂
Electric energy	101.353 (kWh)	16 (kWh/pcs)	37 (t)	122.251 (kWh)	21 (kWh/pcs)	45 (t)	154.859 (kWh)	20 (kWh/pcs)	57 (t)
Natural gas	20.779 (sm ³)	3 (sm ³ /pcs)	41 (t)	23.648 (sm ³)	4 (sm ³ /pcs)	46 (t)	25.129 (sm ³)	3 (kWh/pcs)	49 (t)

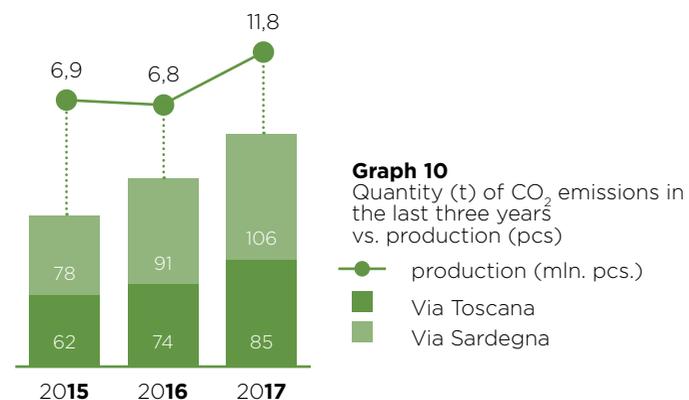
Table 6
Consumption of energy and natural gas in **via Sardegna** in the last three years

3.4 Emissions

In Pink Frogs' plants there are not emissions collected and conveyed to chimney heaters, excepted for those produced by the heating implants, which are used for the heating of the places in the various operative areas and for the production of steam.

	2015	2016	2017
Via Toscana	62	74	85
Via Sardegna	78	91	106
total	140	165	192

Table 7
Emissions of CO₂ in the atmosphere in tons deriving from energetic consumptions¹⁴



The other emissions of hazardous substances for the environment (NO_x, SO₂, dusts, heavy metals and other polluting substances) are extremely low and therefore not recorded.

		2015	2016	2017
Average value of the CO ₂ emissions of the fleet vehicles	g/km	414	414	414
Number of the fleet vehicles	n°	2	2	2
Total emissions	g	3.974	3.974	3.974

Table 8
Quantity of CO₂ emitted by the corporate fleet in the last three years

THE CORPORATE FLEET VEHICLES

Pink Frogs has two corporate vehicles: a car usually used for visits to clients and suppliers and a van used to move materials from a plant to the other. The calculation of the total emissions is based just on the travels of the van, because the car is not used regularly. Specifically, the van covers the same distance (1,2 km) around four times per day for the whole period in which the plant is open.

The emissions of the fleet have been constant because the distance and frequency of the travels have not changed in the last three years.

Regarding the logistic part, the environmental impacts are indirect. The logistic streams incoming and outgoing are, as a matter of fact, external to Pink Frogs because the suppliers use their own vehicles to deliver the raw materials and the same happens for the final products, which are directly collected by the clients.

FOCUS



¹⁴: The CO₂ emissions in atmosphere that derive from the electric energy consumption are indirect emissions, in function of the performance and the fuel used by the electric centrals.



3.5 Water

The operational areas are linked with the municipal waterwork of Rozzano (via Toscana) and Pieve Emanuele (via Sardegna).

The consumption of water in Pink Frogs has different origins

demineralized water used as ingredient **for the production** of bulk in via Toscana

water for cooling and washing the machinery in via Toscana

water for washing the filling and packaging lines in via Sardegna

water for civil use in both plants



68

	2015	2016	2017
Via Toscana	8.292	9.593	11.592
Via Sardegna	1.258	1.009	1.251
total	9.550	10.602	12.843

Table 9

Water consumption (m³) in the last three years

It was estimated that the total consumption of water in **via Toscana** plant comes from:

- around 8% from water presence in the bulk for the composition of the cosmetic solutions. The demineralized water enters as raw material in input in the production process. The consumption varies based on the type of cosmetic solutions produced; on average, little more than 60% of the semi-finished product is composed by water;
- around 78% is used in cooling;
- around 14% is used for washing machinery and instruments, for laboratory activities and in the toilets.

The water consumption in **via Sardegna** is due to washing water for lines and machinery. This water is collected in tanks for the temporary deposit of waste and water.

To conclude, it is evident that the percentages are significant and to efficiently pursue an objective of control of water consumption it is necessary to act on different fronts. On the one hand, sensitising the staff to eliminate waste and avoid the improper use of water in the toilets (signalling eventual failures or malfunctions to maintenance); on the other hand, defining standard activities to minimize the waste during the washing phase of the production and filling machinery; or evaluating the chance to install a close cycle to recover the water used for the cooling of the production machinery.



69

3.6 Waste

	2015	2016	2017
Sludge	4.881	7.220	-
Hazardous ink waste*	15	37	41
Toner	22	15	18
Paper and cardboard packaging	33.620	32.460	46.060
Mixed materials packaging	28.860	58.630	101.710
Hazardous organic waste*	1.250	722	1.162
Organic waste	4.679	7.502	6.901
Water solutions	102.420	1.488.533	1.703.400
Discarded equipment	-	-	200

Table 10
Volumes of waste produced (kg) in the last three years

The waste is managed according to the municipal law. Inside the company the waste is collected separately and divided into hazardous (*) and non-hazardous. It is collected by an external society which manages the transport and the disposal.

The majority of waste produced by Pink Frogs is composed by water solutions used for the production of the bulk and for the washing of the machinery. The significant increase in water solution in 2016 and 2017 is due to the closure of the sewage treatment plant in February, 2016. Another substantial quantity of waste is represented by the packaging, made of paper, cardboard, but also mixed materials.

Recycling is part of the vision of the company. The employees are constantly sensitized through signs, poster and indications on how to correctly separate the waste.

Pink Frogs also supports initiatives from the employees to recover materials, as well as it tries to reuse, where possible, the containers and the materials used in the warehouses.

The hazardous waste represents a minimal part of the waste produced by Pink Frogs (0,06%) and is managed attentively, respecting the norms and with a particular attention to avoid risks for the environment.

L'8% (154.824 kg) of the industrial waste produced by Pink Frogs is destined to the recovery and 91% (1.703.400 kg) to the treatment (biological, physic-chemical).

Pink Frogs is constantly committed **to reducing the quantity of waste** generated through the optimization of the processes and the sensibilization of the staff.



3.7 Biodiversity

The cosmetic industry is facing with more and more attention the problem of the protection of the environment and the climate change. An issue of huge relevance in this field is the preservation of the biodiversity.

Under the normative profile, it has been signed the Nagoya Protocol has been signed on the Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization¹⁵.

At the local level, both of Pink Frogs' production sites are located inside an industrial area, in the urban context of Milan's suburban area. Given the location in an industrial area, the areas occupied by the plants are not under any urban-environmental, landscape or hydrogeological protection measure:

- **There are no constraints regarding environmental goods;**
- **They are not considered as bounded areas in the hydrogeological asset plans;**
- **They are not included in protected territories.**

Being in the area of the Parco Agricolo Sud Milano, Pink Frogs respects all the norms related to the safeguard of the local animals and of the protected environment. Pink Frogs' activities, however, do not produce emissions of potentially toxic substances for the animals or the plants of the park.

In terms of biodiversity, Pink Frogs commits to avoiding the purchase of raw materials from suppliers who operate in sites protected by IUCN¹⁶ for the conservation of the species at risk. Specifically, around 30% of the strategic suppliers of Pink Frogs have a ISO 14001 certification, which certifies the respect of specific environmental requirements.



¹⁵: http://www.minambiente.it/sites/default/files/archivio/allegati/biodiversita/protocollo_nagoya_it.pdf

¹⁶: <http://www.iucn.it/>

NAGOYA PROTOCOL FOCUS

FOCUS

The Nagoya Protocol, adopted during the Convention on Biological Diversity, is an international agreement that aims at promoting the conservation of the biodiversity through the regulation of the access to the genetic resources and the equitable sharing of the benefits arising from their utilization. The genetic resources - that is, the genetic heritage entailed in the organisms (plants, animals, microorganisms, etc.) - are a fundamental component of the biodiversity and are used in different fields of the scientific resource, in particular in the agricultural sector and the pharmaceutical, the cosmetic and the biotechnologies industry. Associated with them is often the traditional knowledge of the indigenous and local communities. The implementation of the Protocol aims at equitably sharing the benefits of the utilization of the genetic resources, especially between the countries rich in biodiversity and local traditions - which are mostly developing countries - and the countries that use the genetic resources, which often coincide with the industrialized ones, who have the advanced technologies for their utilization.



3.8 Initiatives in the sustainability field

In 2016 Pink Frogs asked a famous Milanese artist, Caterina Tosoni, to realize a reflexive path aimed at the sensitization and awareness regarding the impact that all of us have on the environment when using a cosmetic product. She realized three works of art, “Invasion”, “Reflexion” and “Vision” to stimulate a real path towards the last work, “Solution”, realized by the Milanese architect and designer Myra Palange.



In 2017 Pink Frogs took part to the project “Sustainability at the company” by Cosmetica Italia. This project included a number of educational meetings with companies operating in the cosmetic industry, to sensitize on sustainability and start a path towards a more efficient use of the resources, the decrease of the environmental impacts and, in general, a greater awareness regarding sustainability. The draft of the sustainability report was a result of this path.



Pink Frogs supports the Ethics Charter of the Packaging, promoted by Edizioni Dativo in collaboration with Politecnico of Milan and the Italian Packaging Institute: principles shared to design, produce and use the packaging in a conscious way.

The Charter involves designers, producers, processors and whoever chooses to adhere to this project. The signatories commit to act following the ten points of the Charter, to give them adequate diffusion and propose initiatives to promote its contents.



According the Ethics Charter, **the Packaging must be:**

1. **Responsible,**
2. **Balanced,**
3. **Safe,**
4. **Accessible,**
5. **Transparent,**
6. **Informative,**
7. **Contemporary,**
8. **Forward-looking,**
9. **Educational,**
10. **Sustainable.**



“Responsible use label”

The participation of Pink Frogs to **The Wall Eco-Beauty Contest 2015**, declined into the realization of a project focused on sustainability, the guiding principle of the 2015 edition.

Pink Frogs gave shape to the idea starting from the analysis of the environmental impacts of a cosmetic product through the **Life Cycle Assessment (LCA)**, evaluating not just a final use and end of life scenario in line with a virtuous approach of the consumer, but also evaluating its “not-responsible” use and consumption.

This translated into the realization of the first “Responsible use label”, aimed at sensitizing the consumer informing him/her – qualitatively but most of all quantitatively – about the environmental benefits that could be reached with a responsible use of the product.

The product chosen to conduct the analysis was a face cream.

The LCA method is an instrument that allows to make a quantitative evaluation of a product’s or a service’s interactions with the environment, along its whole life cycle; starting from the activities upstream of production (extraction and transportation of raw materials), passing through the processes of industrial transformation and distribution, to the downstream phases and the end of life. To realize the LCA of the selected product, the following indicators were used:

- **CO2 equivalent emissions:** quantity of substances released to the atmosphere, expressed in relation to the effect of the CO2, through conversion factors. To a greater quantity of ‘CO2 eq.’ emissions corresponds a greater impact on the Global Warming Potential (GWP).
- **Water consumption:** volumes of water associated to the consumption necessary in the production phase and to the prevision of consumption in the use and end of life phases. At a greater volume corresponds a greater impact on the water footprint and on the depletion of the water resources.
- **Rebalancing of the aquifers:** it represents the level of alteration of the marine ecosystems, quantified as the volume of water necessary to the dilution of the substances released until an acceptable level for the environment is reached. At a greater volume corresponds a greater impact on the water footprint and on the effort of rebalancing of the ecosystem.

The LCA has been realized with the support of SPRIM Green on Sustainability, department of the consultancy society SPRIM Italy, specialized in the human and environmental health.



To pursue the objective of the project, that is a greater involvement of the consumer towards a more responsible use, the indicators were calculated assuming two possible scenarios:

BEST CASE	WORST CASE
Reach the store 3 km far by bike	Reach the store 3 km far by car
Separate collection of the waste generated recovery	Do not separate the waste landfill
Production of the packaging using up to 50% of recycled materials	Production of packaging with non-recycled materials

The results have been calculated considering an application of 1,5 kg of product.

Specifically, a “**non-responsible**” use in the use and end of life phases brings a greater impact on the environment, up to:

+ 113%

on the **emissions of CO2** in the atmosphere

+ 4%

on the **consumption of water**

+ 800%

on the **rebalancing of the water ecosystem**

The data confirm that, also for a product that does not comprehend an energy consumption for its application and consequently potentially subject to waste (for example a product with hot water washing), **the final user can have an active role in the path of reduction of the impact to protect the environment.**



The commitment and the attention of Pink Frogs to the environmental sustainability have brought the company to achieve many **prizes** over the years.



2013

Good Practices Degree and Certificate of Responsible Enterprise

Pink Frogs receives the Good Practices of Social Responsibility Degree, recognized by the Milan Chamber of Commerce and the Responsible Enterprise Certificate by Unioncamere Lombardia and the Chambers of Commerce of Lombardy

Cosmopack The Wall
With its Sustainable Label, Pink Frogs wins the prize Eco-Beauty Award, during the Cosmopack The Wall Contest, for the best concept related to eco-sustainability

2015



Slow Brand Factory Award

During the Slow Brand Festival, organized by Feltrinelli Foundation, Pink Frogs wins the Slow Brand Factory Award in the category Slow Factory, again for the "Responsible Use Label" project



2015

Responsible Care Federchimica Award

Thanks to the responsible use label, Pink Frogs wins the Responsible Care Federchimica Award, which rewards the excellences in the sustainable development in the chemical industry

2015



2017

Responsible Enterprise and Good Practices Certificate

Pink Frogs obtains again the certificate for Responsible Enterprise by Unioncamere Lombardia and Lombardy Region, for the Good Practices of Corporate Social Responsibility (CSR). Specifically, it is rewarded for the environmental sustainability projects, quality in the supplier, client and consumer relationships, and Corporate Governance and management, in the category "ENVIRONMENT"

Goals

- Increase the production efficiency through the validation of the processes in the industrial phase, with the objective of preventing the possible risks in the production phase
...
- Engage in the substitution of the glass samples with plastic ones, more easily recyclable
...
- Conduct an LCA analysis to determine the impact of a cosmetic product along its whole life cycle
...
- In line with the LCA projects, insert the environmental impact in the marketing cards, to increase the awareness in the clients and promote the products with a lower environmental footprint
...
- Increase the production of products made with organic raw materials
...
- Introduce innovative solutions for the packaging, proposing greener options to the clients, like the use of recycled paper, recycled plastic and bioplastic, and with the commitment to use FSC certified paper
...
- Management of the waste: improve in the separation of waste and in the management of water



4. ECONOMIC



4.1 Economic impact

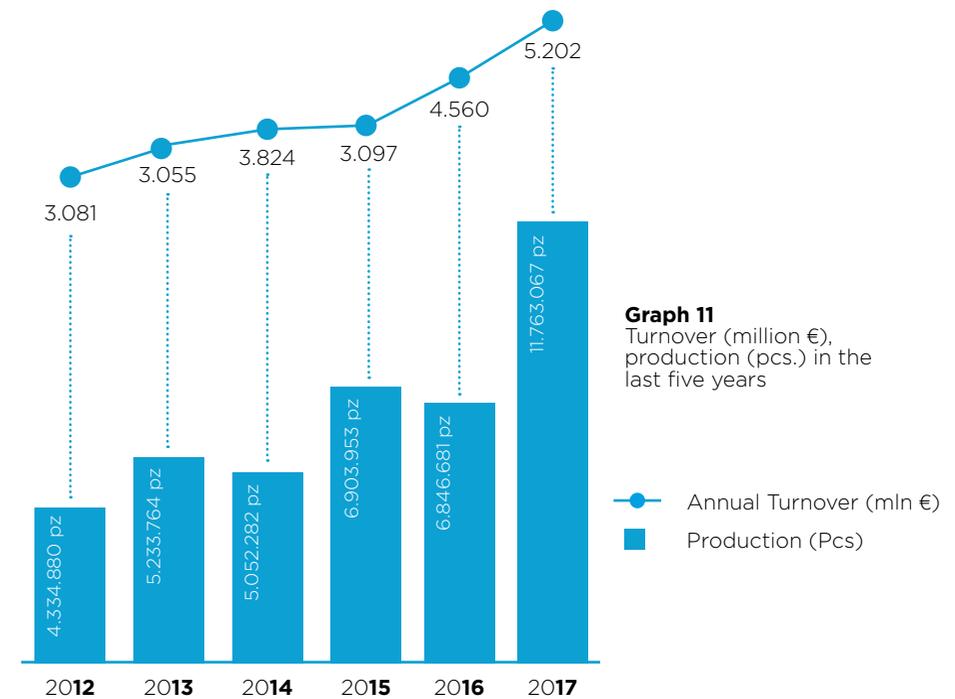
In 2017 the annual turnover of Pink Frogs is 5,2 million Euros, with a production equal to 11.695.516 pieces. The increase in pieces produced in 2017 is mostly due to the increase in production of the alcoholic samples, passed from 1.128.054 to 4.096.299 pieces.

In 2017, turnover and production followed the growth trend of the previous years, bringing Pink Frogs to have a more relevant role among the contractors in the Italian cosmetic industry.

If we look at the last five years, the annual turnover of the company is more than doubled, with an increase of 69% compared to 2012.

	Annual Turnover (mln €)	Production (Pcs)	Bulk (t)
2015	3,9	6.442.580	1.020
2016	4,5	6.883.809	949
2017	5,2	11.695.516	1.114

Table 11
Turnover (million €), production (pcs.) and bulk (t) in the last three years



Graph 11
Turnover (million €), production (pcs.) in the last five years



4.2 Added Value

The **Added Value** of a company represents the richness produced by the company in its activities, calculated as the difference between the gross production and the consumption of goods and services. Its calculation is done through a reclassification of the entries of the income statement, aimed at highlighting both the process of creation of the added value, both its distribution, expressing in economic terms the relationships between the company and the socio-economic system in which it interacts, with reference to the main stakeholders.

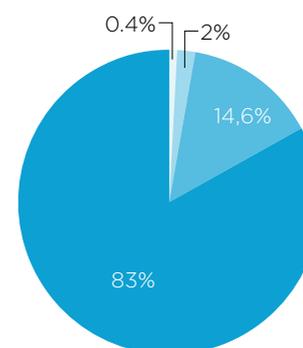
VALUE OF PRODUCTION	2015	2016	2017 ¹⁷
Sales revenues	3.864.822	4.486.059	5.151.781
Inventory changes of work-in-progress products, semifinished and final products and works in progress on order	- 29.395	61.530	24.438*
Increase in assets for internal works	-	38.285	-
Other revenues	91.464	145.297	205.992
total	3.926.891	4.731.171	5.382.211
INTERMEDIATE COSTS OF PRODUCTION	2015	2016	2017
For raw materials, subsidiaries, consumable and goods	1.510.435	1.957.628	1.972.050
For services	769.206	133.084	1.320.551
For leased assets of third parties	125.036	133.084	169.049
Inventory changes in raw materials, subsidiaries, consumables and goods	- 104.531	- 149.462	-117.297*
Other management fees	34.347	22.736	18.056
total	2.334.493	3.029.920	3.362.409
ADDED VALUE	1.592.398	1.701.251	2.019.802

¹⁷: The data referred to the year 2017 are a rough estimate, not having the definite income statement. Specifically, the data indicated by the star (*) are an estimate.

Table 12
Added value produced by Pink Frogs in the last three years

The aggregated added value produced by Pink Frogs in 2017 is equal to **2.019.802 Euros**, with revenues that amount at €5.382.211, with an increase of 14% compared to 2016, related to the above-mentioned expansion of production between 2015 and 2016, and the costs increasing by 11%.

The increase in production in 2015 allowed the company to gain a bigger slice of the market and further invest in research and development and sustainability.



Graph 12
Distribution (percentage) of the added value among the stakeholders

- Employee wages and benefits
- Revenues of the company
- Payments to providers of capital
- Payments to government

The added value produced by the company in 2017 was distributed for the 83% to the personnel in the form of salaries, social charges and termination payments. This fact confirms Pink Frogs' attention to its employees. The Public Administration received the 0.4% of the Added Value, decreased with respect to 2016, while the payments to Providers of Capital represent almost 2% of the total, stable compared to the previous year. The revenues of the Company correspond to 14.6% of the Added Value, slightly increased by comparison with 2016, thanks to the improved economic performance.

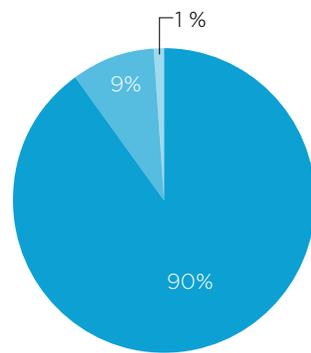


4.3 Supply chain: The Suppliers

Pink Frogs' suppliers are divided mainly into suppliers of raw materials and suppliers of packaging. Their number and turnover have increased from 2016, in line with the increase in production of the three years. In 2017 Pink Frogs has 143 suppliers, of which 86 of raw materials and 57 of packaging, for a total turnover of 2.113.851 euros.

	2015	2016	2017
N° of suppliers	149	144	175
Raw materials	77	84	86
Packaging	52	56	57
Other	20	4	32
Suppliers' turnover (€)	1.532.780	1.999.937	2.113.851

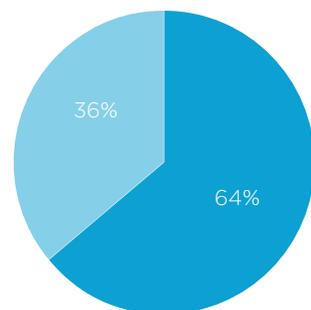
Table 13
Number and turnover of suppliers in the last three years



Graph 13
Suppliers of raw materials and packaging in 2017 by region (percentage)

- Italy
- Europe
- Extra Europe

The majority of Pink Frogs' suppliers is Italian (90%), with 10% of suppliers coming from abroad.

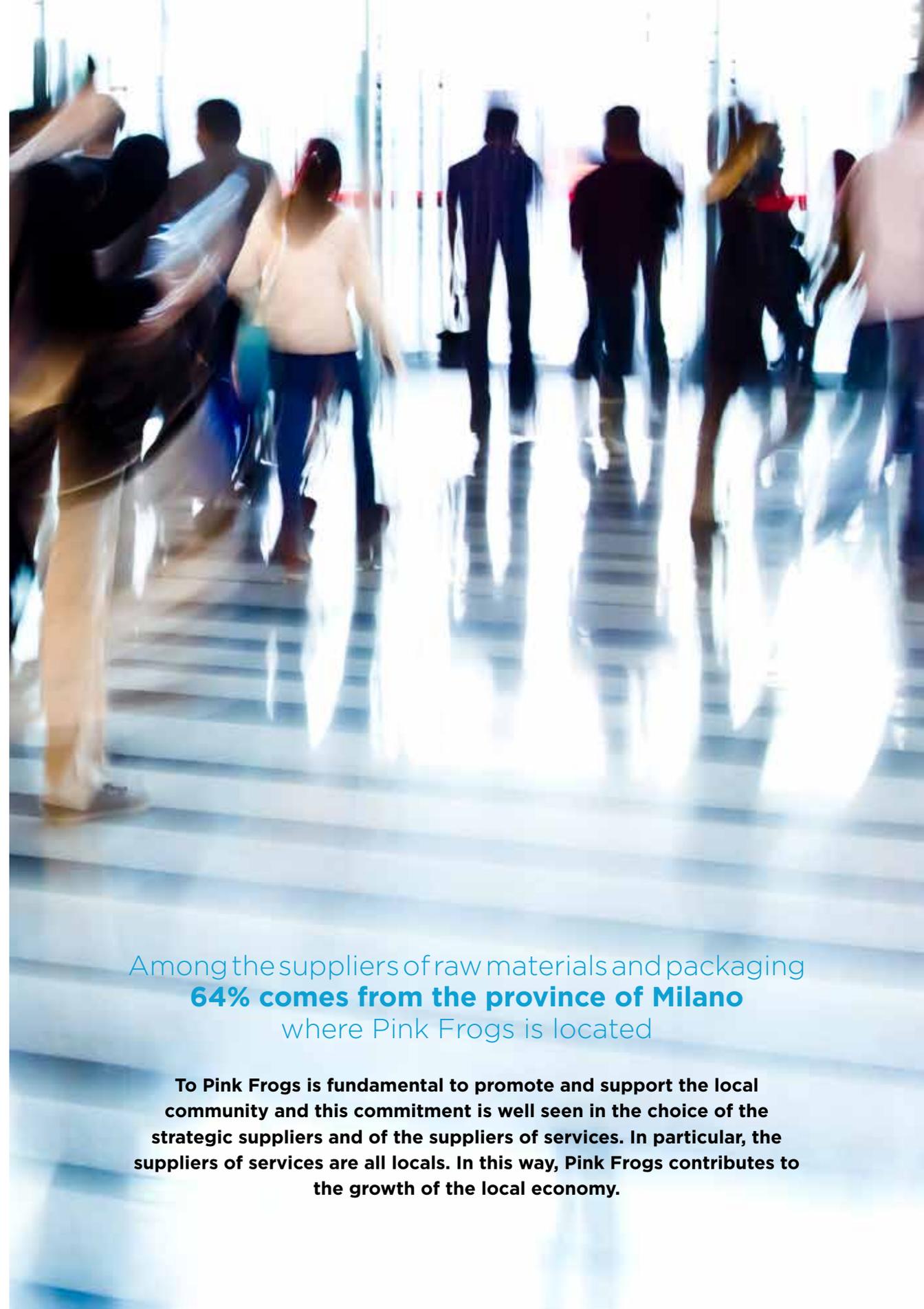


Graph 14
Percentage of strategic suppliers in 2017 on the total suppliers of raw materials and packaging

- Province of Milan
- Rest of Italy

Among the suppliers of raw materials and packaging **64% comes from the province of Milano** where Pink Frogs is located

To Pink Frogs is fundamental to promote and support the local community and this commitment is well seen in the choice of the strategic suppliers and of the suppliers of services. In particular, the suppliers of services are all locals. In this way, Pink Frogs contributes to the growth of the local economy.

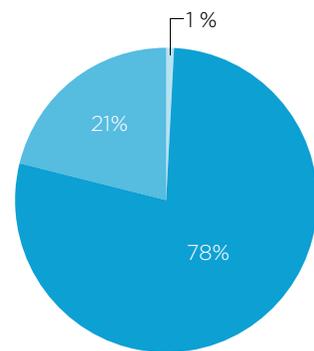


4.4 Supply chain: The Clients

The majority of Pink Frogs' clients is Italian, but the number of international clients, both from Europe and from the rest of the world, is increasing. Pink Frogs in 2017 has 97 clients, of which 82 Italian, 11 European and 4 from outside Europe.

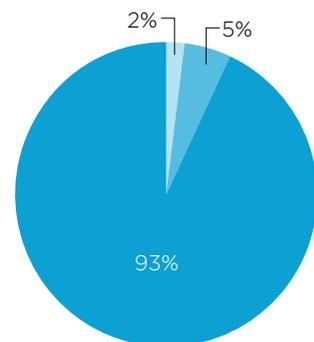
	Number	%	Quantity	%	Turnover	%
Italy	82	85%	9.624.129	78%	4.814.981	93%
Europe	11	11%	2.584.387	21%	246.833	5%
Extra Europe	4	4%	129.092	1%	126.970	2%
total	97	100%	12.337.609	100%	5.188.785	100%

Table 13
Number, quantity and turnover of the client in 2017, by region



Graph 15
Percentage of clients per region on the total quantity

- Italy
- Europe
- Extra Europe



Graph 16
Percentage of clients by region on the total turnover

- Italy
- Europe
- Extra Europe

The production of Pink Frogs is for 78% devoted to the Italian clients, correspondent to 93% of the total turnover. The European clients correspond, instead, to 21% of the quantity, but just 5% of the turnover.

The clients coming from the rest of the world represent around 1% of the quantity and 2% of the turnover. Pink Frogs' objective is to continue this expansion towards international markets in the next years, proposing itself more as a partner, than just as a producer, and offering more full services than contract works.



Goals

- Increase the efficiency in the design process, consolidating more projects on the market and thus increasing the turnover
...
- Increase the full service projects, which allow to have more autonomy on decisions regarding the choice of the packaging and the raw materials
...
- Investments in new infrastructures
...
- Analyse in more detail the supply chain, to have in mind the impacts of the single phases of the life cycle of a product
...
- Definition of an annual budget in the different sustainability sectors
...
- Increase the visibility through the participation to more international fairs
...
- Expansion to international markets



Methodological Note

This document is the first Sustainability Report drafted by Pink Frogs, who wants to keep publishing the document regularly every year.

In terms of time, the Report has the solar year 2017 as reference period, unless otherwise specified. Where available, the data and indicators were reported for the three years 2015-2017, with the aim of favouring the comparability of the performances in the different years.

The perimeter of the reporting covers all the activities of Pink Frogs. Where necessary and possible, the indicators of performance have been developed and reported distinctly for the two plants, the legal-administrative and the operational ones.

The process of data and information collection and of drafting of the Report has been guided by the Direction of Pink Frogs and coordinated by the Sustainability Manager, in collaboration with the different corporate functions. The contents of the Report have been set up according to the GRI Standards 2016 of the “Global Reporting Initiative” (GRI)¹⁸.

The extent and the depth of the reporting of the topics covered in the document reflect the results of the Materiality Analysis, conducted for the first time as described in section 1 of the Report. The economic, financial and governance data have been taken from the data and the information drawn up for the civil balance sheet. The environmental data and the indicators have been set up as part of Pink Frogs’ Environmental Management System certified ISO 14001:2015. Finally, the data on the personnel and those related to other aspects covered in the document have been collected directly among the responsible functions.

Based on the cover of the standard disclosures and of the indicators associated to the material aspects, the auto-declared level of adherence to the GRI is “in accordance – core”.

The Sustainability Report and the GRI Content Index can be freely downloaded at the website:

www.pinkfrogs.it

For this first edition of the document, it has been chosen for the Report not to be externally reviewed by a review society.



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¹⁸<https://www.globalreporting.org/standards>