

SUSTAINABILITY REPORT 2018

cosnova GmbH

Summary of cosnova's 2018 sustainability report according to the DNK standard

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With our values of passion, courage, trust, reliability, openness, responsibility and loyalty, we stand for a modern and tolerant company in which discrimination of any kind has no place. We value the contribution of our employees to our corporate success and attach great importance to equal opportunities. Our corporate culture is characterized by great diversity.

With INNOVATION, PROFESSIONALISM and PASSION, cosnova has been shaping the international color cosmetics market for MORE THAN 17 YEARS.

Founded in 2001 by Christina Oster-Daum and Javier González.

FAMILY-OWNED business

90% of production in Europe

NO ANIMAL TESTING since the beginning



HIGH QUALITY decorative cosmetics at FAIR PRICE

WORLDWIDE LOCATIONS/OFFICES: Germany (Sulzbach, Butzbach), USA (New York), Italy (Milan), Ireland (Dublin), Croatia (Zagreb) France (Paris), Brazil (Sao Paulo City)

KEY DATA (2018):

- » 434 Mio € sales
- » 650 employes worldwide
- » 40.000 POS worldwide

SUSTAINABILITY STRATEGY AS OF 2016



1st sustainability report according to DNK standards in 2018



Our sustainability mission helps us to embed sustainable thinking in our company and enables us to work towards a positive global change.

OUR heart BEATS For EVERYONE

AND WITH EVERY HEARTBEAT WE TRY HARDER

If a nour company, our neighboorhood & at our partners along our value chain.

to long-term and sustainable success.

treating our **plane** with respect.





2015 START OF THE SUSTAINABILITY JOURNEY

cosnovas holistic sustainability journey started in 2015 and resulted in a sustainability strategy that is being implemented since 2016. Our strategy serves as the basis for our future handling of economic, ecological and social topics and aims for sustainable corporate governance.

SUSTAINABILITY TARGETS



HARMLESSNESS

WORKING CONDITIONS @ BUSINESS PARTNERS

ZERO WASTE

SOCIAL INITIATIVES

We want to develop our products stepby-step uncritically in the three areas of health, social affairs and environment.

the ILO Core Labor Standards and the ness partners. Our expectations in this We aim for a general waste reduction, the use of eco-friendlier, more sustainlastly, disposal of the remainder through re- or upcycling.

We strive to have a positive impact on other people's lives: in our company, our neighborhood & with our partners along our value chain.









































MARKETING, DISTRIBUTION AND PRO-CUREMENT OF DECORATIVE COSMETICS ARE COSNOVA'S BUSINESS MODEL.

cosnova doesn't own production sites, but manufactures all products through contract manufacturing in Europe and Asia.

PROCUREMENT

- » Code of Conduct obligatory for our business partners
- » Ecovadis sustainability rating of our business partners
- » CR-Requirements for finished goods since 2017

ecovadis



WE BELIEVE IN INDUSTRY COLLABORATION TO ACCERLERATE POSITIVE CHANGE:

Roundtable of Sustainable Palm Oil (RSPO)

Responsible Mica Initiative (RMI)

Responsible Beauty Initiatve (RBI)

Lean & Green GS1 Germany

Environmental Packaging Initiative "Recyclate Forum"





LOGISTICS

- > CNL GmbH is the logistics partner of the cosnova Beauty Group
- » Modern and brand new logistic center built in 2016, lean & green awarded by GS1 Germany
- » Pilot projects in the field of transport optimization

TRADE

- » Online shops for all brands since 2018

DISPOSAL

Objectives for packaging design to optimize disposal:

- » Closing cycles in order to become more recyclable
- » Increasing the use of recyclates wherever possible
- » Using mono-materials

CONSUMER

- » Ensuring consumer safety and product quality by own QA department
- » Stricter raw material requirements than EU law
- » Strict no animal testing policy since the beginning
- » INCI analysis for more sustainable raw material portfolio
- » Regular stakeholder surveys



OUR SUPPLIER REQUIREMENTS ARE CONSISTENT WORLDWIDE.

- » The recognition of our Code of Conduct
- » Supplier audits
- » Sustainability assessment via EcoVadis

ecovadis

2017

The EcoVadis evaluation was carried out for the first time in 2017, and will in future continue to be used as an instrument for improving sustainability in our value chain.

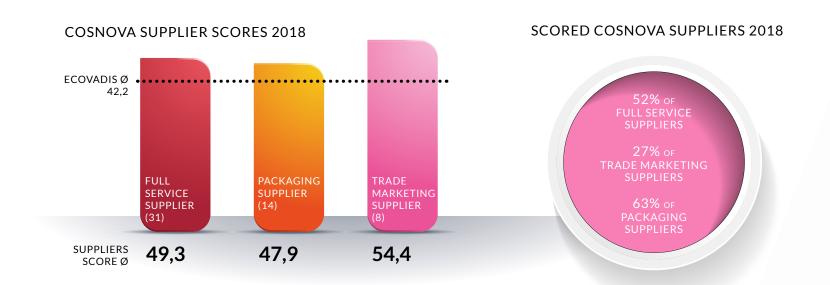
The EcoVadis methodology for sustainability assessment covers 21 criteria in four areas. These are the environment, fair labor practices, fair business practices and the supply chain. The methodology is based on international CSR standards, including the Global Reporting Initiative, the United Nations Global Compact and ISO 26000, which covers 180 purchasing categories and 150 countries.

Full-service suppliers, trade-marketing suppliers and packaging suppliers are assessed.



2018

In 2018, we joined the RBI (Responsible Beauty Initiative). Here, we would like to work together with other industry representatives on solutions and goals with regard to a transparent and sustainable supply chain.





As a non-manufacturing company, which operates on rented office space, cosnova has limited influence on its own use of (natural) resources and so far, has not measurably exercised influence on the resource efficiency of its business partners. The complexity of the supply chain, which comes along with the business model of contract manufacturing is a major obstacle in this respect. However, wherever possible, efforts are being made to use resources more efficiently.

MOST RELEVANT RESOURCES: PACKAGING AND COSMETIC INGREDIENTS

PACKAGING

WHAT ARE WE DOING?

As part of our product philosophy, the packaging of our decorative products must meet a wide range of requirements, such as

» Appearance, Feel, Design, Transparency, Brilliance, Costs, Transport protection

Currently, our product packaging is made from a variety of materials such as

» Glass, paper/cardboard, PP, PET, SAN, ABS and POM

Only in the past few years, it has been noticeable that packaging technology is moving into a more sustainable direction, offering more opportunities for environmentally friendly packaging options in the field of decorative cosmetics.

We want to follow this development and to find out which materials represent the most sustainable and realistic alternatives for us. For this purpose, an internal strategy workshop was held in the year 2018 and several pilot projects have been initiated.

We aim to improve the life cycle assessment of our products:

- » Closing cycles in order to become more recyclable
- » Increased use of recyclates wherever possible
- » Use of mono-materials

WHERE DO WE STAND IN 2018?

We have been actively participating in the environmental and packaging initiative "Recyclate-Forum" since 2018. This initiative brings together, 26 industrial partners (trade, consumer goods manufacturers, brand owners, design agencies, waste isposal companies, government, communication agencies) to work on jointly defined goals around the topic of packaging recycling and the use of recyclates.

There is still much pioneering work to do, especially in the use of recyclates for cosmetic packaging, as approval and REACH conformity are still unclear.

The use of recyclates can save up to 80 percent energy in raw material extraction and up to 60 percent in CO2 emissions.

That's why we are committed to finding solutions for our market segment to sustainably improve the environmental footprint of our products.



In 2019, concrete sustainability targets for our product packaging will be defined.



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MOST RELEVANT RESOURCES: PACKAGING AND COSMETIC INGREDIENTS

COSMETIC INGREDIENTS



WHAT ARE WE DOING?

The purchase of our cosmetic ingredients for product manufacturing is in the hands of the respective contract manufacturer. Since 2015, cosnova has started to analyze this part of the value chain and to include resource management as a strategic topic of sustainability. In addition to complying with legal requirements, the raw materials are evaluated based on a "traffic light system" with regard to their impact on environmental, health and social aspects. The goal is a holistic improvement of the product portfolio.







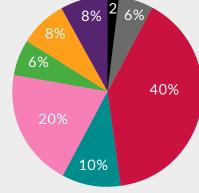
Main raw material categories:

- 1. Solvents of different types and origin
- 2. Naturally derived substances further modified

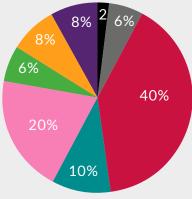
RE NATURALLY

DERIVED

- 3. Silicones
- 4. Ingredients of mineral origin
- 5. Colorants
- 6. Natural ingredients
- 7. Performance polymers
- 8. Commodities



VOLUME % PER CATEGORY



WHERE DO WE STAND IN 2018?

PALMOIL

RSPO Membership since 2018 to support sustainable palm oil. Some of our products contain palm oil and / or palm oil derivatives. The proportion of palm oil in our product portfolio is relatively low with less than 15% of our raw materials containing palm oil and less than 0,1% of pure palm oil / palm kernel oil.

Nevertheless, we want to face up to our responsibility as an actor in the palm oil supply chain in order to protect the rainforest and its natural habitats. For this reason, and as part of our sustainability strategy, we became a member of the RSPO (Roundtable of Sustainable Palm Oil) in 2018. From January 2018 onwards, we have been fully compensating our volumes of palm oil/palm kernel oil derivatives by purchasing RSPO credits.

Further, we compensate our volumes of pure palm oil and pure palm kernel oil by RSPO credits from independent small-holders.

440 Credits bought In 2018:

CSPO (Certified Sustainable Palm Oil) 364 Credits CSPKO (Certified Sustainable Palm Kernel Oil) 73 Credits IS-CSPO (Smallholder - Certified Sustainable Palm Oil) 1 Credit IS-CSPKO (Smallholder - Certified Sustainable Palm Kernel Oil) 2 Credits

MICROPLASTICS

Impact study: Influence of microplastic particles used in color cosmetic leave-on applications, on water pollution. »» 50% of products are rinsed down the drain.





As a consequence we started monitoring microplastic substances in our products and initiated first microplastic replacement projects in 2018.



Respect for and respect of human rights in our business activities, are addressed through standards and measures at various points in the supply chain. We understand our corporate values as the basis of all action. As an owner managed family business that has been successfully developing cosmetic products for more than 17 years, our company values stand for passion, courage, trust, reliability, openness and responsibility

WE TAKE RESPONSIBILITY AND HAVE COMMITTED OURSELVES TO A HIGH STANDARD OF ETHICS, FAIRNESS AND TRANSPARENCY.

COSMETIC INGREDIENTS

WHAT ARE WE DOING?

MICA

The raw material natural mica was identified as a high-risk substance for potential negative impact on human rights. As a first measure, a continuous Mica Supply Chain Mapping was introduced with the aim of achieving 100% transparency of our mica supply chain.

The willingness of our suppliers to participate in this supply chain mapping has been defined as a prerequisite for our business relationships, with the result that we voluntarily abstain from working with suppliers who do not wish to commit themselves to disclosing their mica supply chain. Currently, our supply chain mapping only refers to natural mica with Indian origin. In the long term, however, all other countries of origin of natural mica must also be included in the supply chain mapping.

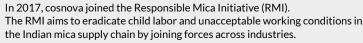
In order to find common solutions for the problems in the mica supply chain and to enforce our goals, we joined the RMI (Responsible Mica Initiative) in 2017.

The transparency of our mica supply chain is continuously measured and recorded as one of our key performance indicators. Our goal is to achieve full transparency of the mica supply chain by 2023.



WHERE DO WE STAND IN 2018?

MICA





- » Implementation of fair, responsible and sustainable good practices and increased traceability all along the Indian mica supply chain,
- » Empowerment of local communities to ensure long lasting change thanks to the implementation of inclusive and holistic empowerment programs,
- » Building a legal and livable environment for local communities by working hand-to-hand with the Indian government.

Transparency of cosnova mica supply chain 2018: 62% total transparency and 88% transparency when considering RMI member supply chains as completely transparent.

In 2016, cosnova started a joint project in India together with the Andheri-Hilfe, related to the integral development and empowerment of village communities in one part of the mica mine areas of the Koderma district. After a deep evaluation and pilot-phase this project is now reaching out to 5 villages in the mentioned district.

The project is dedicated to

- » running crèche schools
- » reaching out to families to create awareness of the various governmental schemes and to offer help and support for applying to those schemes
- » supporting good contact and intervention with the local government staff
- » empowering the families to live a better life also by immediate action for urgent needs.

Our dedicated and trusted project partner Andheri-Hilfe and their local project partners in India ensure the project implementation, progress and continuous reporting.





CORPORATE ACTIONS TO REDUCE CO₂ EMISSIONS

CORPORATE CARBON FOOTPRINT

The determination of the total carbon footprint of cosnova GmbH was carried out for the first time for the financial year 2018. By means of this analysis, the key relevant hotspots of cosnova's business activities in terms of their CO₂ emissions have been identified.

HOTSPOTS:

- » Purchased goods
- » Transports
- » Disposal
- » Business travel



In 2019, the future reduction targets will be formulated.



FIRST CORPORATE

ESTABLISHED

CARBON FOOTPRINT

LEAN AND GREEN

In 2016, the logistic partner of cosnova, the CNL GmbH, became a member of Lean and Green - GS1 Germany. With its "Lean-and-green" program, GS1 Germany offers companies in Germany the opportunity to make their logistics processes more efficient and environmentally friendly. The "Lean-and-green" $\rm CO_2$ reduction project aims to reduce $\rm CO_2$ emissions by 20 percent by 2020.





Reduction of absolute CO₂ emissions by 12% within the first three years.



AIR TRAVEL COMPENSATION

cosnova contributes to climate protection by compensating the CO_2 greenhouse gasses caused by air travel. Since 2016, the resulting emissions have been compensated by the non-profit organization atmosfair. The costs of the compensation are donated into a specific climate protection project. In the reporting year 2018, we are supporting a project for biomass conversion from mustard residues in Rajasthan, India. The biomass power plant uses these harvest residues to extract electricity from renewable energies.

Yearly compensation of CO₂ emissions from air travel through atmosfair since 2016.



EMPLOYEE COMMUTING

We like to raise awareness for the topic of climate change amongst our employees through additional projects around employee mobility.

- » Integration of a so-called bonus-malus system in the company car policy, which encourages the company car driver to switch to environmentally friendly vehicles.
- » cosnova provides job tickets to all interested employees for the use of public transport







IN GENERAL, WE STRIVE FOR A REDUCTION OF THE ACCUMULATED WASTE. THE USE OF MORE ENVIRONMENTALLY FRIENDLY ALTERNATIVES IS JUST AS RELEVANT AS THE MEANINGFUL USE OF REMAINING WASTE, FOR EXAMPLE THROUGH UPCYCLING.

Ongoing measures include:

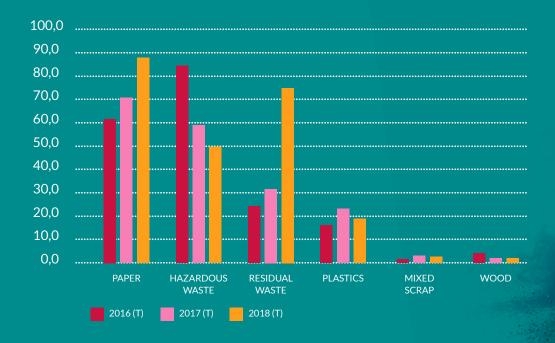
- » Status survey of the materials used (collection, analysis, prioritization)
- » Development and implementation of a strategy per material
- » Development of joint solutions with our suppliers



- » The resulting waste at the CNL logistics site, is part of a comprehensive waste optimization and reduction project. In addition to a general waste reduction, we have set ourselves the goal of identifying alternative materials with a reduced ecological footprint and to find the best possible recycling pathways for the remaining waste through recycling or upcycling projects.
- » One measure has already been implemented, a closed loop for filling materials, which makes it possible to collect and reuse the incoming filling materials (paper and foils).



ACCUMULATING WASTE (T) PER 100 MIO PIECES



Since cosnova GmbH itself, is a non-manufacturing company that operates on rented office space, there are currently only very limited possibilities to influence waste generation or disposal.

» Management of CNL



WE AIM FOR A CONTINOUS DIALOGUE WITH OUR STAKEHOLDERS.

One important part of this dialogue and interaction with our stakeholders is the active participation in various industrial initiatives that support sustainable business.



PEOPLE // SOCIETY

WE STRIVE TO HAVE A POSITIVE IMPACT ON OTHER PEOPLE'S LIVES: IN OUR COMPANY, OUR NEIGHBORHOOD & WITH OUR PARTNERS ALONG OUR VALUE CHAIN.

Our mission focuses on supporting women and children in education as well as promoting self-esteem worldwide. On the basis of this mission, we support selected projects locally, regionally and internationally, thus contributing to sustainable social development.



4 PILLARS OF SOCIAL CONTRIBUTION

FINANCIAL DONATIONS

Woman empowerment with World vision



Kinderdörfer in Litauen, children villages in Lithuania

Development project in India for families who are dependant on mica sourcing with Andheri Hilfe



Support for social project proposals of our employees

PRODUCT DONATIONS

Throughout Germany, needy people benefit from these donations through the organization Tafel Deutschland e.V.



CORPORATE VOLUNTEERING

cosnova offers each employee to spend two working days per year to get involved in social projects.

The employees are free to decide whether to join the company's own projects or whether to use the two days for private volunteer work.

CORPORATE CITIZENSHIP

cosnova acts as a "good neighbor" in the Main-Taunus district, who likes to support social projects in the immediate vicinity of our headquarter in Sulzbach / Taunus.

PEOPLE // EMPLOYEES

WITH OUR VALUES OF PASSION, COURAGE, TRUST, RELIABILITY, OPENNESS, RESPONSIBILITY AND LOYALTY, WE STAND FOR A MODERN AND TOLERANT COMPANY IN WHICH DISCRIMINATION OF ANY KIND HAS NO PLACE.

We value the contribution of our employees to our corporate success and attach great importance to equal opportunities. Our corporate culture is characterized by great diversity. At cosnova, we live an open communication culture. Short decision-making processes and a flat hierarchy create the basis for personal interaction and the space to contribute with your own ideas.

cosnova takes care of its employees and therefore FINANCES A COMPREHEN-SIVE PROVISION PROGRAM for its permanent employees.

COSNOVA

Based on our employee development mission: "We empower our employees to achieve the best business results by equipping them with the right tools to develop their skills and knowledge in accordance with the culture and values of Cosnova", we offer a WIDE RANGE OF TRAINING for all employees.

HEALTH CARE is an important topic:

- » medical check-ups
- wyaccinations
- » in-house fitness studio are offered by cosnova.

Private accident insurance and basic care is provided by cosnova in the event of occupational disability.

Through our training program we offer our employeesthe OPPORTUNITYTO FURTHER STRENGTHEN THEIR SKILLS, encourage them to try new things, learn from mistakes and take initiative.

Due to our employee structure, our goal is to constantly IMPROVE THE COMPATIBILITY OF WORK AND FAMILY. Here we offer a variety of supportive measures.



PRODUCTS	SUPPLY CHAIN	ENVIRONMENT	EMPLOYEES
1533 raw materials analyzed for sustainability	90% of products made in Europe	1500t CO ₂ emissions compensated through atmosfair	28 hours of training and education on average (per person/year)
34% of raw materials are naturally derived.	51% of our full service suppliers already rated by Ecovadis	-15% hazardous waste	80% female employees
< 15% of raw materials used contain palm oil	100% signed negative lists and CR requirements	4148 kg savings of CO ₂ equivalents through IT hardware recycling	Incentive system for CO₂ reduction in our company car policy
440 RSPO credits bought to compensate palm oil usage	83% of full service suppliers already recognized our code of conduct	-20% paper used per employee	2 working days per year per employee for social involvement.
88% transparency reached in indian natural mica supply chain		-35% electricity consumption/ m^2 (within the last 3 years).	42% of employees are using job tickets provided by cosnova for public transport.
52% less Polyethylene used		-15% reduction of plastic waste	O accidents at work
		-20% CO ₂ emissions until 2020 (lean & green) at logistic center	



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