



Schwan Cosmetics

GLOBAL CSR REPORT

FY 2021-2022



schwan cosmetics

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About This Report

This report provides facts, figures, and data about the environmental, social, and governance impact, activities, and performance of the Schwan STABILO Cosmetic Group (referred to herein as “Schwan”, “Schwan Cosmetics”, or “we”) whose organizational boundaries are set out in detail in the corresponding of this report. The content covers key measures of the progress being made and describes our strategies for the future. Unless otherwise noted, this report covers activities during our fiscal 2021 (i.e., the period of July 1, 2021, through June 30, 2022) and includes data for all facilities we own and operate. To ensure better readability, we have refrained from using gender-specific formulations in this report. This does not represent a valuation. All formulations are to be understood as gender-neutral.

This report has been prepared in accordance with Global Reporting Initiative (GRI) Standards: Core Option. The GRI indices for this report can be found on pages 75 to 78.

Certain environmental metrics have been subjected to independent limited assurance. Please see Page 72.

Read more about our social impact and sustainability initiatives at www.schwancosmetics.com

Letter from Tomás Espinosa Braniff Céspedes

Dear Stakeholders,

With the publication of our first CSR report in 2016 we committed ourselves for the first time to the continuous improvement of our environmental performance. This report is now the second in a row which we publish on an annual basis in line with our financial reporting period.

With our brand promise of Mindful Beauty, we set ourselves new ambitious sustainability targets for Environment, Social and Governance (ESG). These included as key elements our long-term goal of achieving CO₂-Neutrality by 2040, as well as clear commitments to fundamentally transform our product portfolio towards environmentally sustainable formulations and packaging materials.

Although only a year has passed, I am pleased to share that Schwan Cosmetics' employees are already making significant contributions to this strategy. Some ESG Projects have also been implemented at our plants around the world that will help us achieve our ambitious goals in the future. At our plant in Toluca, Mexico a 930 square meter solar power plant went recently into operation, which will save more than 150 tons of CO₂ annually. Our global reductions on scope 1,2 emissions do already today exceed our mid-term targets to 2030.

Through our efforts, we are also empowering our 700 global business partners to achieve their own sustainability goals and offer innovative environmentally friendly products to end users. For example, we could increase the NOC (Natural Origin Content) of our newly developed formulations to an average of 66 percent, exceeding our target of at least 60 percent. Furthermore we did become a member of the SBTi (Science Based Target Initiative), "the lead partner of the **Business Ambition for 1.5°C campaign** - mobilizing companies to set net-zero science-based targets in line with a 1.5°C future."

The necessity to develop recyclable packaging solutions, to use less virgin plastic consumption and to create packaging solutions towards more sustainable delivery systems are the challenges our passionate developers are dedicated to overcoming in the near future.

After we explored possibilities for a sustainable waste reduction in a first project at the Heroldsberg site over the last two years, it will remain a task for the next fiscal years to implement such measures in our worldwide plants as well. Giving our social commitment a uniform global focus on the promotion of women and children, lifelong learning and the support of underprivileged groups will help to increase the relevance of our contributions to the communities where we operate.

Tomás Espinosa Braniff Céspedes
Chief Executive Officer



General Information about the Schwan Cosmetics Group / Business Overview

In the 2021/22 financial year, the Schwan-STABILO Group generated high sales of EUR 745.3 million (previous year: EUR 623.2 million). There had already been a moderate increase in the previous year. In view of additional difficulties, such as bottlenecks in the supply of raw materials and energy, as well as supply chain problems and a sharp increase in the inflation rate, an extraordinary increase of around 20 % was achieved

Turnover of Group and subgroups

(Fiscal year 2021/22 ending 30 June)

€745.3 million

(previous year: €623.2 million)

+20 %

€312.3 million

(previous year: €227.3 million)

+37 %



COSMETICS SUBGROUP

€215.8 million

(previous year: €209.3 million)

+3,1 %

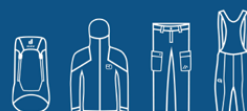


WRITING INSTRUMENTS SUBGROUP

€216.9 million

(previous year: €186.3 million)

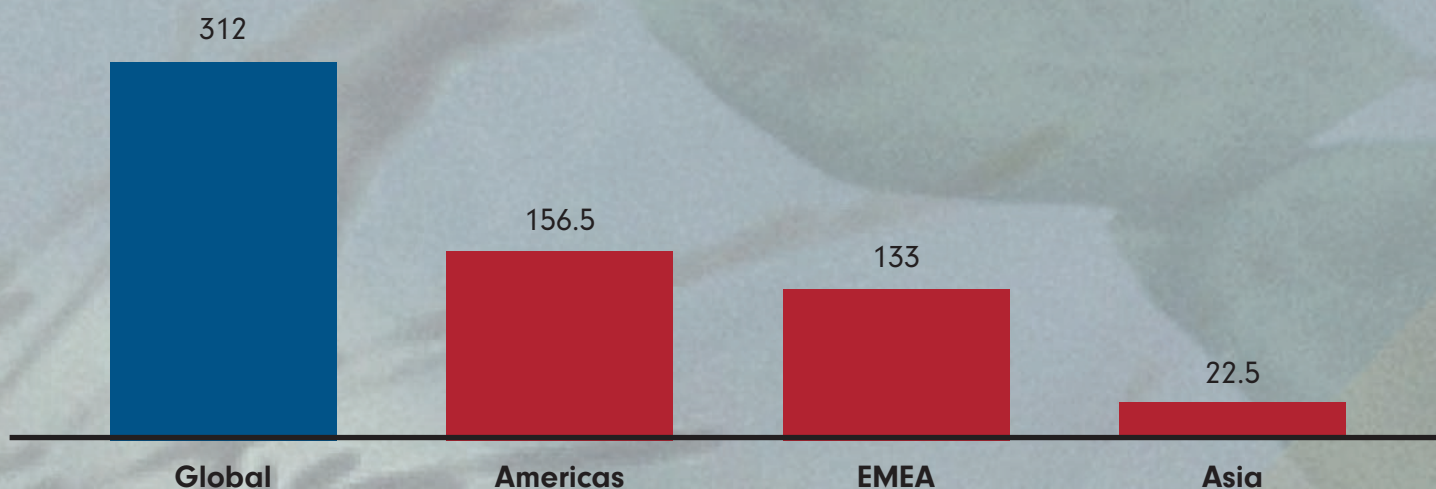
+16.4 %



OUTDOOR SUBGROUP

Schwan Cosmetics achieved sales of EUR 312.3 million in the year under review. This corresponds to a growth of 37% compared to the previous year. After an initial recovery in business development was seen in the last quarter of the previous year due to the easing of the strict global Covid-19 lockdown measures, this recovery continued and strengthened significantly with each quarter being stronger than the last. One of the key successes in Cosmetics was that we achieved excellent new product growth with our brand commitment to 'Mindful Beauty' – it doubled compared to last year. Our total sales are higher than before the Covid-19 pandemic, and the number of our employees has grown as well.

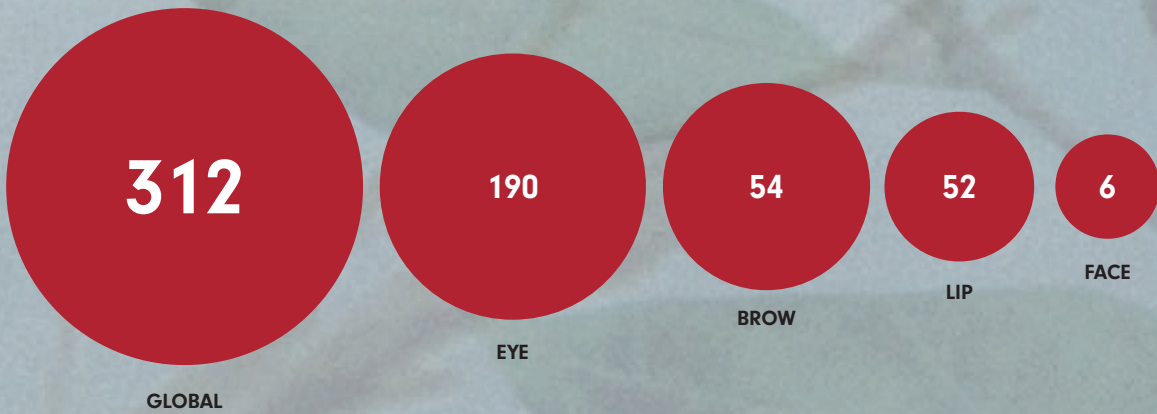
Global Schwan Cosmetics Sales 2021/2022 by region in Mio. €



SCHWAN COSMETIC - 2021/2022 (by product category in million €)



SCHWAN COSMETIC - 2021/2022 (turnover by category in million €)



Others: 10

Global Subsidiaries:



With a unique network of more than 700 clients worldwide and over 200 international suppliers and trend experts, we are the reliable partner in the beauty industry. Our global network of subsidiaries is close to our customer base. We invest in the future by being in sync with what is happening in the markets and translating this into sustainable innovation.

Number of Employees





CORPORATE PHILOSOPHY & CORE VALUES

Our vision

Not only as a company that operates within the cosmetic industry but also as part of society and a forward-driven world, we want to take on the responsibility to contribute to a better tomorrow. Only when businesses, institutions, and people become aware of their self-efficacy and take on the process of change with a common goal, can we save our planet – together. Sustainability is our internal drive and our point of view on the world.

Our Mission

The Beauty world is turning, moving, and changing. Beauty ideals are transforming, consumers become more demanding, and purpose is a value that counts. Schwan Cosmetics has been part of this development since 1927. Back then, we invented the world's first cosmetic pencil. The „Schwan Cosmetics Eyebrow Pencil“ and our customer-centric corporate philosophy laid the foundation for countless other innovations and decades of successful growth. Today, Schwan Cosmetics is active on five continents in 130 countries, with more than 3,000 employees and state-of-the-art technology that meets the highest standards.

Code of Conduct

The Code of Conduct of the Schwanhaeuser Group summarizes the basic rules and principles that we are all requested to abide by in our actions and behavior, and which we also expect from our business partners. It provides a reliable framework to guide us, our employees, our customers, and our partners. The Code of Conduct stands for our self-image, which is shaped by our willingness to accept personal responsibility, and by behavior that is at all times lawful and ethical. Thus, our Code of Conduct is proof of our inner attitude. We are utterly convinced that it is exactly this inner attitude that has made us successful over the past decades and will be the basis for our success in the future. Let's work together to do everything we can so that everyone can always completely rely upon us!

Our Brand Purpose: Mindful Beauty

We believe in innovations and services that are aimed at the needs of the users. We believe in products that promote diversity so that everyone can celebrate and highlight their uniqueness. By being mindful of the world we live in, the products we create, and how we create them, we strive to offer color cosmetics that help everyone express themselves, not disguise themselves. Our innovative power lies in the success of our customers. In close cooperation and partnership, we are making our customers' visions a reality by creating expertly designed cosmetics, custom innovations, and sustainable solutions that set trends worldwide.

With our knowledge, our conviction, and our creativity we help our customers shape their future in the cosmetic world and beyond – for their success today and tomorrow. We empower people to create a more beautiful future together.



OUR VALUES

Our corporate values are our guiding principles for our daily work and express our beliefs how to we treat all the people we work with and for every day. Our values cover all aspects of our actions, business relationships, customer relationships, and company success.

As a company operating in 7 countries on 4 continents, we strive to live the same values while we still appreciate cultural difference. To take into account our commonalities and cultural differences in the same way, we consider the values Respect, Passion, Responsibility, and one for all-all for one, to be universal for the entire company, leaving it up to the individual companies to add a fifth value, which appears to be relevant to the local entity.



SUSTAINABILITY, GOVERNANCE, POLICY AND PLAN



Management Approach

Since 2016 we have made sustainability part of our corporate strategy. We manage our business for the long term. Family ownership allows Schwan Cosmetics to manage the business for the long term.

Starting with the idea of continuous GHG emissions reduction and more sustainable use of natural resources Corporate Social Responsibility grew into the organization over years with all its elements. Today ESG is fully integrated into the Schwan Cosmetics organization covering the full set of business, social, environmental, and governance issues.

Today short-, mid, and long-term Objectives have been set to allow an objective and reliable evaluation of our progress.

By joining the SBTi we join the ambition to limit global warming to 1,5 % in line with the Paris Agreement.

Risk-Management

Schwan's sustainability risk management is geared toward the company as a whole and fundamentally involves all key operational processes, functions, and entities. It is therefore a core task for the entire management at all levels of the Schwan Cosmetics Group. Responsibility for risk management is basically decentralized at all management levels of the Group, while some governance tasks are organized centrally. Generic risks, resulting from overarching regulation and globally applicable Policies and Standards, are identified, and defined by the Schwan Cosmetics Headquarters, while their implementation and surveillance are managed as far as possible at the point where they arise, i.e., primarily in the local entities. These also bear primary responsibility for initiating measures to reduce or control the risks. In addition, central departments such as compliance management, the legal and tax departments, and the central office for the risk management system support, regulate, and monitor the control activities of the operating units. For this report, we conducted a Third-party verification of the Cosmetic Group's GHG emissions (scope 1,2) according to Green House Gas Protocol through DQS, certified to ISO 14064 Standard.

Our recent participation in the SBTI (Science Based Targets Initiative) helps us to continue the monitoring of our efforts towards an increasingly careful use of our natural resources and to have them confirmed by an independent third party.

Corporate Governance

The Schwan Cosmetics Governance System is chaired by the CEO and his Executive Committee (ExCom) composed of the CEO, CFO, COO, and CSO, who are also members or entitled representatives to the Advisory Boards of the Schwan Cosmetics entities, outlined on page 14 of this report.

ExCom and Advisory Boards oversee and control the governance system of the Schwan Cosmetics Group. ExCom is empowered to define Group's objectives and strategic guidelines with regard to economic, environmental, and social topics and approves all actions considered appropriate for the implementation and achievement of the Company's objectives.

The Advisory Board is the highest Governance body of the Schwanhaeuser Group. This is composed of members of the Schwanhaeuser family and/or representatives appointed by them. There is a monthly written report to the advisory board including all essential stakeholders and business information. In semi-annual advisory board meetings, the CEO reports personally to the members of the advisory board. No Member of the highest governance body is an Executive Officer of Schwan Cosmetics.

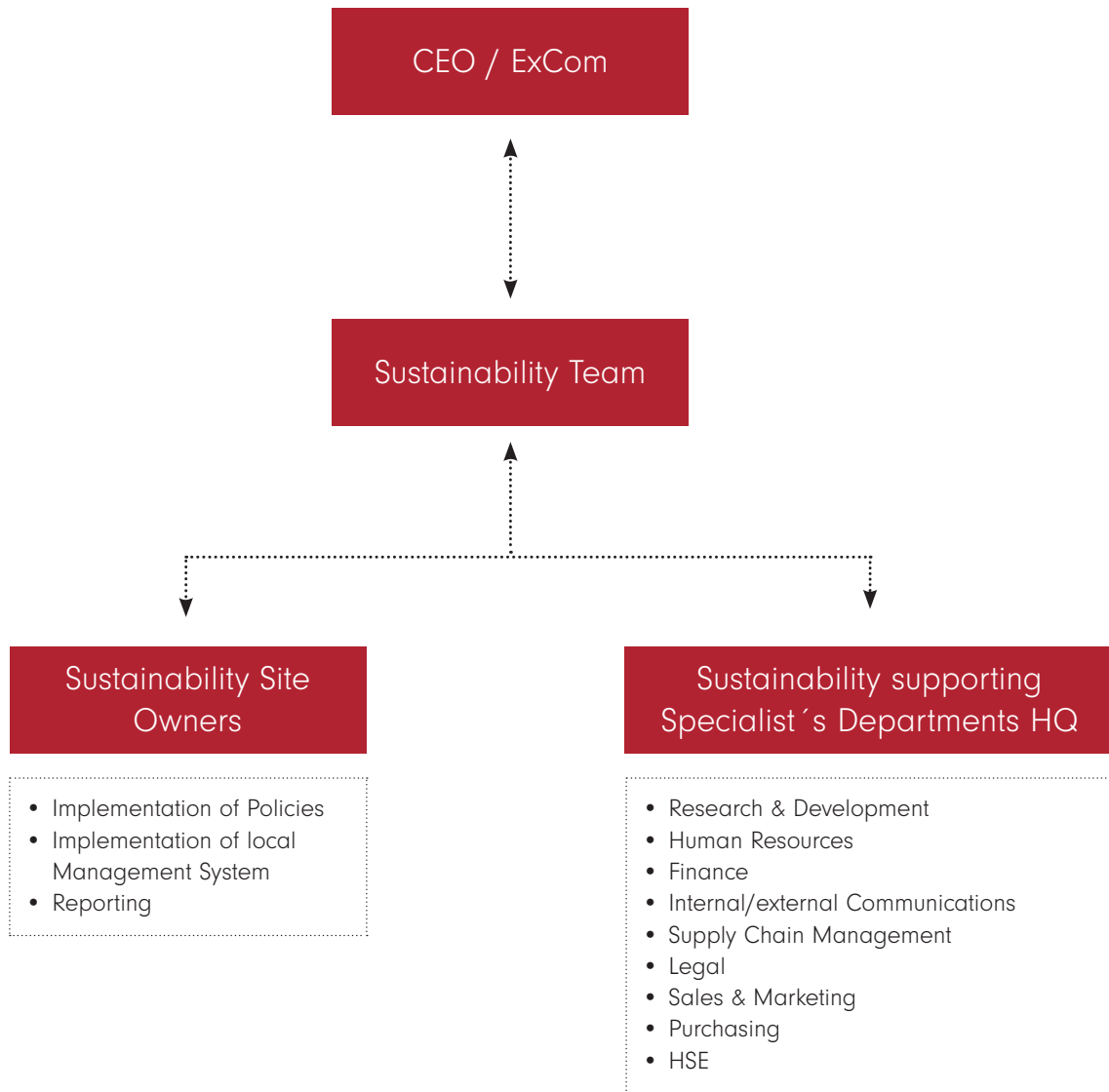
The CSR function is led by the Senior Vice President (SVP) of Quality and CSR, who directly reports to our CEO. The SVP directs a dedicated team that leads corporate-wide sustainability strategy; social impact efforts; and strategic planning and communications around social impact and sustainability, including supporting brand-and region-led sustainability strategies.

Our Sustainability Teams drive our social impact and sustainability strategic initiatives and progress toward goals and commitments.

Sustainability Team

Through monthly, quarterly, and annual reporting continued communication between stakeholders and stakeholders' representatives and the Executive Committee takes place. Sustainability topics are also included in the annual budget planning process to assure sufficient staffing and founding of all projects and initiatives.

Governance Structure



Selected Cooperations, Memberships, and Awards

ecovadis



SCIENCE
BASED
TARGETS



Schwan Cosmetics Stakeholders, Communication and Engagement

Stakeholders are subjects able to influence or be influenced by the activities of Schwan Cosmetics. Knowing their expectations is essential for defining the materiality and the objectives derived from it. Stakeholders of the Schwan Cosmetics Group were identified as a result of internal discussions with members of interested groups, interviews with the management team and review and approval of the Executive Committee. Stakeholders have been defined in line with GRI Sustainability Reporting Standards ("GRI Standards"). The classification was made in accordance with GRI Sustainability Reporting Standards (hereinafter also "GRI Standards")

Schwan Cosmetics Stakeholders:

- Public Administration and Authorities, lawmakers, local communities
- NGOs and multi-stakeholder associations
- Owners / Owner´s Advisory Board
- Customers
- Consumers
- Public Opinion
- Suppliers
- Employees, Trade Unions and Employees representative committees

Channels of Communication and Engagement

Stakeholder	Channels of Communication and Engagement
Public Administration and Authorities, local communities, NGOs and multistakeholder associations	<ul style="list-style-type: none"> • Carbon Disclosure Project (CDP) • EcoVadis questionnaire • Roundtable on Sustainable Palm Oil (RSPO) • Responsible Mica Initiative (RMI) • SPICE Initiative • PCPC, IKW
Owners Advisory Board	<ul style="list-style-type: none"> • Board Meetings • Budget Approval
Clients and Consumers	<ul style="list-style-type: none"> • Periodical business reviews on sustainability topics • Trade Shows • Consumer research and surveys • Consumer Test Panels • Sales representatives and Cooperation Platforms
Public Opinion	<ul style="list-style-type: none"> • Trade Shows • Website, social media, press releases, newsletter
Suppliers	<ul style="list-style-type: none"> • Trade shows • Supplier Selection and supplier qualification program • Roundtable on Sustainable Palm Oil (RSPO) • Responsible Mica Initiative (RMI)
Trade Unions, Employees representatives' committees, Employees	<ul style="list-style-type: none"> • Collective Bargaining

Schwan Cosmetics Materiality Analysis

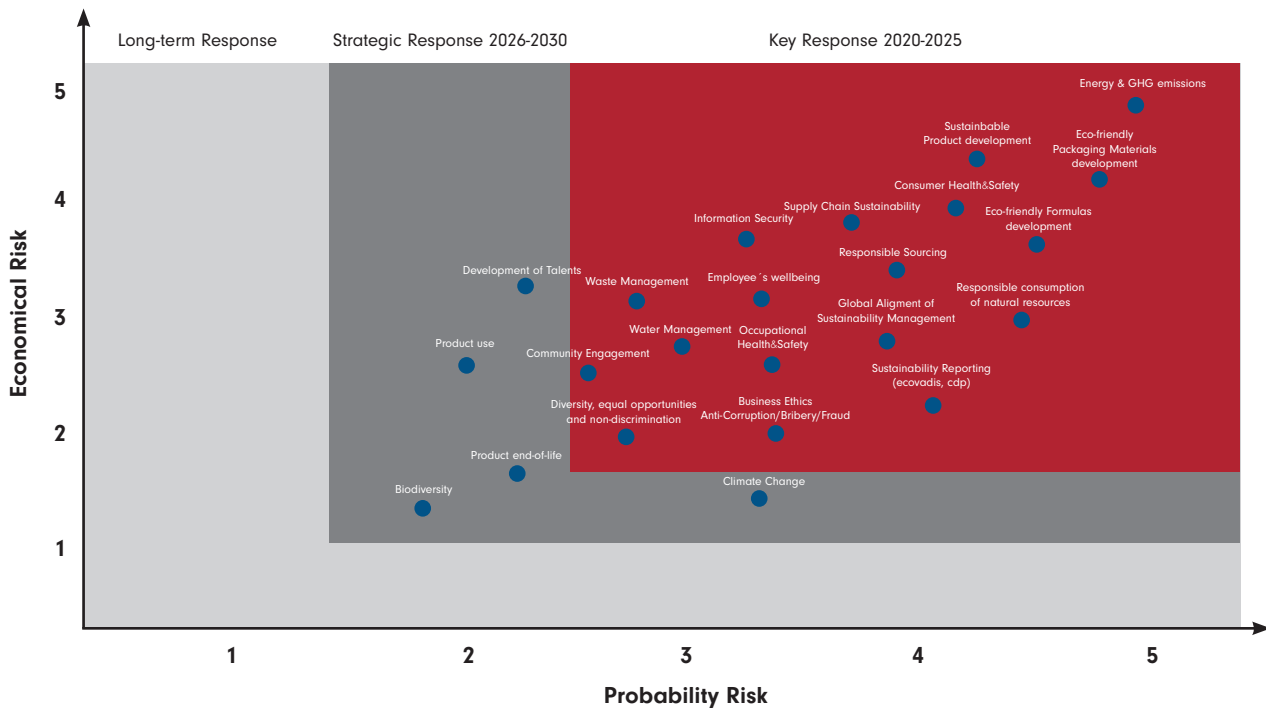
Our materiality analysis was carried out in two main phases:

1. Identification of non-financial topics of potential relevance
2. Prioritization of identified topics through the evaluation of their actual relevance regarding Schwan Cosmetics and its stakeholders

For the identification of non-financial topics relevant to the Schwan Cosmetics Business to the following analyses were realized:

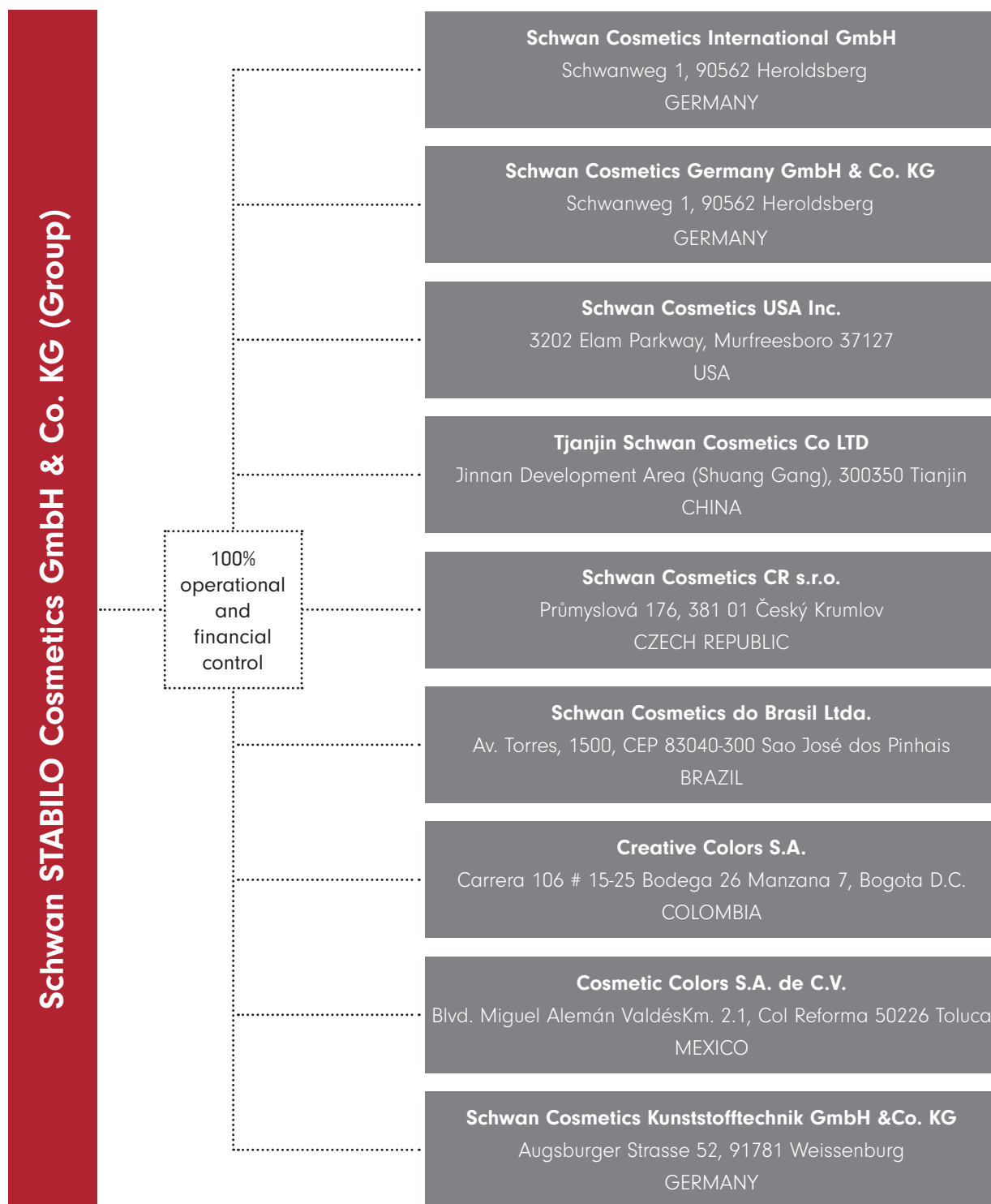
- Benchmark Analysis: of the main sustainability topics reported in public reports by clients, competitors and comparable, sustainability trends analysis at global level:
- mapping of the main non-financial aspects generally considered in sustainability reports, for sustainability rating, and by international organizations
- sector specific analysis: mapping of the non-financial aspects highlighted as relevant for the cosmetic sector, by reviewing publications of cosmetics associations and the press
- stakeholders mapping: analysis of the key stakeholders and their priorities on sustainability topics

Once those non-financial topics potentially relevant for the Group have been defined, a significance analysis has been carried out to finally correlate economical risk with probability risk according to Schwan Cosmetics perspective. An assessment was carried out in 2022 including the main corporate functions, who were asked to rank every topic for its importance, taking into consideration economical risk and probability risk on the Company's capability to create value as well as risks and opportunities related to each aspect.



Organizational Boundaries

The Schwan STABLO Cosmetics Group consists of 9 entities, directly controlled by the Managing Board headquartered in Heroldsberg, Germany. For reporting purposes, if not differently specified, consolidated figures for Schwan Cosmetics International and Schwan Cosmetics Germany may appear to be reported, which is required due to commonly used technical installations and buildings. No significant changes have been made to the organizational structure of the Group to previous reports.



OUR COMMITMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) are a voluntary framework of 17 global goals and targets meant to accelerate advancement toward a more sustainable world. "Innovation and investment from business are elementary to achieving the SDGs. The SDGs not only formulate challenges for which the participation of companies is essential. They also enable them to identify risks and potentials that can be addressed through responsible and sustainable corporate governance." (<https://www.unglobalcompact.org/>).

Schwan Cosmetics focuses on the six SDGs we believe we can contribute the most to a more sustainable world.



End poverty in all its forms everywhere.

Please see social section on pages 25 to 43 for more details.



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Please see section Social Accountability on pages 25 to 43 for more details.



Ensure healthy lives and promote well-being for all at all ages.

Please see Social and Governance sections on pages 25 to 43 and pages 69 to 74 for more details.



Achieve gender equality and empower all women and girls.

Please see Social Accountability section on pages 25 to 43 for more details.



Promote sustained inclusive and sustainable economic growth, full and productive employment, and decent work for all.

Please see Social Accountability and Governance sections on pages 25 to 43 and pages 70 to 75 for more details.



Take urgent action to combat climate change and its impacts.

Please see Environment Section on pages 48 to 59 for more details.

Sustainability Goals and Progress

Our sustainability Goals are an essential element of our Sustainability strategy, to embed social responsibility and sustainability into our Business operations.

The table below gives an overview on our progress made towards our main targets as of June 30th 2022.

Objective	FY 2021-2022 Progress	Target	Progress Notes	Status	
Sustainability and Environment					
Climate and Energy	Reduce Scope 1 and 2 GHG-emissions 100% by 2040 from a 2017 base year	Methodology for data determination completed. Third-Party Verification prepared	54% reduction FY 29-30	For fiscal Year 21-22 reporting third-party verification acc GHG- Protocol was obtained Current Reduction: -61%	Ongoing
	Reduce Scope 3 GHG-emissions 100% by 2040 from a 2022-2023 base year	Methodology for data determination for base year 21-22 completed	5.5 % annual emissions reduction from 2023 base Year 38.5 % reduction FY 29-30	Methodology for a scope 3 GHG-emissions reporting completed. Materiality analysis to be completed by End of FY 2022-2023 imateriality completed.	In progress
	Increase on-site generation of sustainable energy to 30% of electric power consumption until end of FY 2026/2027	First Solar power plant installed in Mexico	30% of electricity produced on-site	Solar power plant investment for Germany approved	New!
Waste	Reduce waste consumption by 10% globally until end of 2022	Per unit Waste reduction of 10% globally by 10%	10% reduction of water consumption to 2018/2019 base year until end of Calendar Year 2022	Until end of Fiscal Year 21-22 the waste intensity was reduced by 27% globally to Base year 2018-2019 New waste reduction target to be set until FY 2022/2023	Accomplished
	Zero waste disposal to landfill	80% of waste not disposal to non-landfill	Zero waste disposed to landfill by end of FY 2024-2025	New target to be defined	New!
Water	Reduce water consumption by 10% globally until end of 2022	Reduction of - 11 % by end of FY 2021-2022	- 10% to 2018-2019 base year by end of 2022		Accomplished
Third Part certification	ISO 14001 certification	Three entities certified; preparation for Germany certification	All entities certified by end of FY 2026-2027	Certification for second Germany facility in Heroldsberg scheduled for FY 2023/2024	Ongoing
Product and Formula	New formula developments with Naturality Origin Index of 75% by 2025	70% Naturality Origin Index for of all new formulations	75% Naturality Origin Index for of all new formulations by FY 2024-2025	Short term target overachieved	On track
	100% vegan in all products by end of 2022	vegan alternative available for 99% of all formulas	100% vegan in all products by end of 2022	Target almost achieved; 100% vegan will be completed in calendar Year 2022	On track
Primary Packaging materials	50% less virgin plastic materials by end of 2025	1.2% until end of FY 2021-2022	25% less virgin plastic materials by end of 2022	Material shortages due to supply chain issues target postponed to 2022-223	Delayed!
Secondary Packaging materials	Reduction of virgin plastic materials for secondary packaging	13% reduction until end of FY 2021-2022	25% less virgin plastic materials by end of 2022	The achievement of the target value requires an excellent implementation of new packaging solutions	Delayed!
	All cardboards FSC certified by 2022	Implemented in two locations (Czech Rep., Germany)	100% FSC cardboards for secondary packaging materials	Realized by Germany and Czech Rep. due to limited availability of materials in other markets delayed	Delayed!

Objective	FY 2021-2022 Progress	Target	Progress Notes	Status	
Sustainability and Environment (continued)					
Responsible Sourcing	Identification of sensitive ingredient supply chains	Supplier due diligence was performed for the second time. Compliance level of 98% achieved	100% supplier compliance with environmental and social standards	Revised corporate Risk assessment methodology acc Germany Supply chain law established for FY 22-23 supplier assessment	Ongoing
	Identification of sensitive packaging material supply chains	Supplier due diligence was performed for the second time. Compliance level of 99% achieved	100% supplier compliance with environmental and social standards	Revised corporate Risk assessment methodology acc Germany Supply chain law established for FY 22-23 supplier assessment	Ongoing
	Exclusive use of FSC certified wood	91% of all wood is certified	100% FSC - certified wood by FY 2024-2025	FSC-certification obtained for wood processing entities Czech rep and Mexico	Ongoing
	By 2025 100% of palm-based ingredients will be sourced from RSPO® - certified sources	85% of our portfolio at least. RSPO mass-balance certified	100% RSPO®- mass balance-certified	Certification of the entire supply chain must be completed before certified products can be purchased	On track
Social					
Gender Pay	Eliminate gender pay gap by end of FY 2026-2027	Initial Gender Pay Gap analysis for FY2021-2022 prepared	Equal pay for all genders by end of FY 2026-2027	Measures to be defined based on assessment results	New!
Benefits of employment	Define global fringe benefits	Initial analysis for FY2021-2022 data prepared	All entities offer the same minimum level of fringe benefits	Measures to be defined based on assessment results	New!
Safety	Employee safety	Employee safety evaluation	Drive safety to continue decreasing local incident rate to continue world class leading levels to Germany industry standards	See table on page 30	Ongoing
Community engagement	Each entity will support at least one social cause by end of FY 2023/2024.	New policy established	Community engagement will follow a globally aligned process	Initiatives to be defined until the beginning of FY 2023/2024	New!
Governance					
Corruption, Bribery Fraud	Compliance with the existing Code of Conduct	First whistleblowing report issued	Zero justified incidents		New!
Customer Privacy	No breach of customer information privacy	Zero Customer information privacy breaches in 2021-2022	Zero loss of customer information		New!
Sanction List screening	100% compliance with incarnation regulation		100% sanction list screening on suppliers and customers		New!

Risk Management Approach

Schwan`s ESG program is implemented as a corporate strategy to address stakeholders` interests and regulatory demands. ESG practice involves measuring and reporting on environmental, social, and corporate governance activities to understand the risks and their related impacts, evaluate results and develop measures for future improvement.

We consider integrating ESG factors into our corporate decision-making as good governance. As with any other company Schwan Cosmetics faces a variety of ESG-related issues and some of them have the potential to be material and cause financial or reputational damage. Moreover, neglecting environmental, social, and governance issues is an increased risk of experiencing ESG-related incidents or controversy. ESG risk management is therefore part of Schwan`s standard risk reduction practices.

Risk Assessment

Schwan Cosmetics stipulates risks that may occur in ESG factors, such as climate change, environmental impact as well as social and governmental issues as sustainable risks and manages them through a comprehensive risk management system.

In a risk assessment according to ESG factors, all relevant risks are listed and described and all measures that contribute to effectively keeping the existing on an uncritical level are outlined.

KPI are assessed by checklists which are distributed to all entities for the analysis of responses. Risk metrics are produced based on the degree of financial impact and likelihood for each identified risk as well as on the results reported by the entities or observed from monitoring of other sources.

Excerpt from the Schwan Cosmetics Risk Assessment

Risk	Description	Management Approach
Environment		
Risks related to the procurement of raw materials along the value chain	Growing awareness of the public associated with the environmental (deforestation/biodiversity) and social impact of the production of Palm Oil in the countries of origin. MICA and MICA-based pigments may be subject to unacceptable working and living conditions in the environment of Natural Mica Sourcing	<ul style="list-style-type: none"> Contributing Member of the Roundtable on Sustainable Palm Oil (RSPO) since 2016 Communication of the Annual Progress toward 100% RSPO certified Palm Oil Ordinary Member of RSPO** Implementation of a Corporate Environmental Policy at Group level Implementation of a Corporate Policy for Sustainable Sourcing at Group level*
Risks related to the handling of the hazardous substances	The use of chemicals, whose use is limited and regulated by EU and international regulations (e.g., REACH), may be potentially harmful to the environment.	<ul style="list-style-type: none"> Implementation of an environmental management system, according to ISO 14001:2015 standard in some Group's sites Implementation of local procedures to manage chemical substances in compliance with local requirements. Implementation of a Corporate Environmental Policy at Group level*
Risks related to the management of waste	Activities involving the handling, collection and disposal of waste and hazardous substances may potentially result, if not accurately managed, the contamination of soil, surface, or underground waters due to spills on the ground, and impacts related to the incorrect disposal of waste which have been recovered.	<ul style="list-style-type: none"> Implementation of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites Implementation of local procedures to correctly manage waste. Implementation of a Corporate Environmental Policy at Group level* Implementation of a regular reporting for waste
Risks related to the production of GHG emissions	The absence of an emissions management program could expose the Group to a potential reputational and legislative risk when called to report its environmental performance because of the increase in international, European and national pressures on this issue	<ul style="list-style-type: none"> Implementation of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites Development of specific projects aiming at the energy efficiency Implementation of an Environment Policy at Group level Implementation of local actions to continuously reduce the environmental impact
Risks related to the production of GHG change emissions	The absence of an emissions management program could expose the Group to a potential reputational and legislative risk when called to report its environmental performance because of the increase in international, European and national pressures on this issue	<ul style="list-style-type: none"> Implementation of an environmental management system, according to ISO 14001:2015 standard, in some Group's sites Development of specific projects aiming at the energy efficiency Implementation of an Environment Policy at Group level Implementation of local actions to continuously reduce the environmental impact Third party verification of scope1,2 emissions
Risks related to emission of air pollutants	Local and accidental pollution may cause significant harm to the environment. Non-compliance with local regulations bears the risk of production closures and fines Local and accidental pollution events expose the Group to a potential reputational risk to business partners and other external stakeholders	<ul style="list-style-type: none"> Implementation of an Environment Policy at Group level Annual reporting to Schwan Cosmetics headquarters to monitor conformance with local regulations
Risks related to water pollution	Local and accidental pollution may cause significant harm to the environment	<ul style="list-style-type: none"> Implementation of Global and Local Accidental Pollution Policies Implementation of local policies and measures to avoid local and accidental pollution.

Risk	Description	Management Approach
Social		
Human Rights		
Risks related to employees' health and safety	All Employees' activities (production, administration, logistics, etc.) are accompanied by a potential risk to health and safety which must be continuously monitored and assessed	<ul style="list-style-type: none"> • Implementation of a health and safety management system ISO 45001:2018 in some Group's sites • Annual conduct of Ethical Trade Audit (SMETA) on all entities of the group, regarding human rights and health & safety of employees. • Implementation of local procedures to correctly manage health and safety aspects. • Implementation of a Corporate Sustainability Policy at Group level • Implementation of a regular Health & Safety reporting to Schwan Cosmetics headquarter
Risks related to noncompliance in terms of human rights	The different human rights laws in force in the countries where Schwan Cosmetics operates could challenge Schwan's ability to verify that the Group's standards are equally respected by all companies and suppliers	<ul style="list-style-type: none"> • Annual conduct of Ethical Trade Audit (SMETA) on all entities of the group, regarding human rights and health & safety of employees. • Implementation of a Corporate Sustainability Policy at Group level
Risks related to the violation of human rights along the value chain	The presence of two activities, mica extraction and the metallization process, present a high risk of violation of human and labor rights along the supply chain.	<ul style="list-style-type: none"> • Member of the Responsible Mica Initiative (RMI), an organization that promotes the transparent traceability of the mica extractive process, guaranteeing human rights within the areas subjected to such risk. • Implementation of a Sustainable Procurement Policy at Group level • Implementation of a Supplier Code of Conduct • Implementation of a supplier onboarding assessment and approval process
Customer/Consumer Safety		
Risks related to non-compliance in terms of materials/ ingredients management	The use of materials/ingredients constrained by norms and legislations and regulated at the European and international level	<ul style="list-style-type: none"> • Compliance with the European "Cosmetic Regulation" (Regulation EC no. 1223/2009) regulating composition, labeling, and packaging materials of cosmetic products. • Continuous monitoring of updates regarding the local and relevant international regulations related to product safety. • Implementation of an ERP-based integrated compliance Check at Group level
Risks related to the management of regulated materials/ingredients at contract level	Avoidance of incorrect information to B2B customers (for example on product labels), could cause reputational and financial damage to the customer and, ultimately, harm the final consumer.	<ul style="list-style-type: none"> • Compliance with the European "Cosmetic Regulation" (Regulation EC no. 1223/2009) for all materials in use regarding the composition of the product, labeling and packaging of cosmetic pencils • Continuous monitoring of updates regarding the local and relevant international legislation related to product labeling. • Implementation of an ERP-based integrated compliance check at group level*

Risk	Description	Management Approach
Governance		
Corruption / Bribery / Fraud		
Risks related to corruption, bribery fraud, and anti-competitive behavior.	The risks associated with corruption derive from the nature and size of the organization, which operates in different countries, characterized by a different approach to the topic, both at the normative level and from an individual's behavioral point of view.	<ul style="list-style-type: none"> Risk Management Assessment implemented related to external parties which are suitable to bear the risk of corruption bribery and fraud. Implementation of a Code of Conduct on a corporate level Employees training on the code of conduct
Payment Cycle Procedure / Purchasing		
Unjustified payments to external by: Double payment Discounts / Credit Notes Invoices without delivery/ service provided.	<p>Invoices may be paid double by book-keeping department.</p> <p>Unjustified discounts and credit notes may be granted to suppliers.</p> <p>Unjustified invoices are issued by third parties and sent in for payment.</p>	<ul style="list-style-type: none"> Purchase order management system with mandatory approval process including fixed limits. Payments only on approved invoices (on authorized signature) or executed purchase orders (on system-booked delivery). 4 eyes principle (integrated into electronic approval process) Internal Control System audited review by Roedl&Partner auditors Cash transactions policy in place Training of employees on SOP
Contractual relationships with sales agents:		
Illegal money kickbacks from sales agents to internal sales	Discounts to sales agents may be arranged for illegal kickback payments on private accounts.	<ul style="list-style-type: none"> All contracts must be reviewed by legal before approval. Global policy on contractual agreements with customers in place
Contractual relationships with customers		
Risk of money laundering		<ul style="list-style-type: none"> "Know your customer"- Policy in place (documented Background-checks for customers) Money Laundering policy
Risk of unethical trade		<ul style="list-style-type: none"> Sanction List screening (Terrorism, international trade sanctions) Know your customer" - Policy in place (documented Background-checks for customers)
Management of Suppliers		
Suppliers involved in unethical trade	Supplier may be subject to international sanction lists. Supplier may have a suspicious background regarding payments and money transactions.	<ul style="list-style-type: none"> Supplier onboarding procedure (SLC) in place Sanction List screening (Terrorism, international trade sanctions)
Supplier involved in Money Laundering or Terrorism financing of other illegal practices	Businesses may connect to or be involved in transactions with terrorist groups or other practices that are contrary to international trade regulations.	<ul style="list-style-type: none"> Money Laundering policy in place
Gifts given by suppliers	Gifts may be suitable to create undesirable relationships between suppliers and employees that prevent neutral order placement	<ul style="list-style-type: none"> Existing Work Regulation limiting gifts to small values
Third-Party Processing / Management of subcontractors/extended workbench		
Gifts given by suppliers	Gifts may be suitable to create undesirable relationships between suppliers and employees that prevent neutral order placement.	<ul style="list-style-type: none"> Existing Work Regulation limits gifts to small values
Relations with the Public Administration		
Inappropriate Lobbying and Illegal influence on political and administrative officeholders and decision-makers can lead to lawsuits and loss of reputation	Inappropriate Lobbying and Illegal influence on political and administrative officeholders, political parties, and their associated organizations may lead to lawsuits and loss of reputation	<ul style="list-style-type: none"> Implementation of a code of conduct
Handling of Reports of Irregularities Procedure		
Irregular actions may cause financial and reputational damage		<ul style="list-style-type: none"> Whistleblowing Policy globally implemented



SOCIAL ACCOUNTABILITY

Management Approach

The Schwan Group strives to attract, advance, and retain talented people across the globe. Varying by country, each Schwan facility offers in addition to a market-oriented pay package various benefit packages to ensure better work-life balance, encourage healthy living, reduce work-related risks, promote education, sport, and cultural activities, and enable equal opportunities. We also encourage and monitor each entity to support and contribute to non-profit programs and institutions to improve the quality of life in the communities they live in.

The Executive Committee defines global initiatives and objectives to be achieved by the entire organization. They are communicated through the CSR team to the MD and CSR managers globally. The local units implement the strategic targets in local projects and report to the global CSR team, which prepares consolidated reports for the management.

Benefits of Employment

There is a wide range of country-specific legislation regarding the employer's obligations to provide social benefits in the countries we operate, which is why we strive to harmonize these in all companies. In addition, many sites already offer other fringe benefits such as subsidies for health care, public transportation, canteens, daycare centers, and the like to support our employees according to local requirements.

Status Benefits of Employment

	CI	CK	CG	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	C5 (Colombia)	CC (Mexico)
Life Insurance	✓	✓	✓	✓	✓	✓	✓	✗	✓
Health Care	✓	✓	✓	✓	✓	✓	✓	✓	✓
Disability & Invalidity Coverage	✓	✓	✓	✓	✓	✓	✓	✓	✓
Parental Leave	✓	✓	✓	✓	✓	✓	✓	✓	✓
Retirement Provision	✓	✓	✓	✓	✓	✓	✗	✓	✓
Stock Ownership	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Others	✓	✓	✓	✓	✗	✓	✗	✓	✗

SEDEX SMETA Audits

All Schwan Cosmetics entities perform annual third Party SEDEX SMETA audits. Audit results are uploaded on the SEDEX platform and can be reviewed by interested parties which hold a SEDEX membership. All observations and recommendations are reviewed, and appropriate measures are implemented in due course. SEDEX audits help us to regularly monitor the implementation of our social policies in everyday practice, a pride important feedback on opportunities for further improvement.

Corporate Community Engagement

Our newly established policy for Corporate Community Engagement is the foundation of our program for social investments. In line with the priority target groups of our products and the SDGs, we decided to focus globally in the future on the topics of women's advocacy, children's education and health, support of vulnerable groups and minorities and women's cancer prevention, and cancer treatment. As of FY 2023/2024, all entities of the Schwan Cosmetics Group are requested to present their local programs in alignment with the global policy.

While the global alignment of our projects will help to pool our experience and expertise and thus give our local contributions a clearer impact in the future, locally driven projects do already exist for several years.

Cosmetic Colors S.A. de C.V., Toluca, Mexico

University Cosmetic Colors (CC)

Adult education, particularly non-formal education, including literacy programs, tends to be severely underfunded in many countries of the world. Very few countries spend the recommended three percent of their national education budget on literacy and adult education programs (UNESCO [2016]). Consequently, adult learning and education are not free of charge, which builds a significant barrier for many people to continue their education beyond state education. In combination with a low income due to the low level of education, this results in obstacles to social advancement that are difficult to overcome for this social group. In the desire to offer our employees better job opportunities and consequently improve their living conditions, Cosmetic Colors and Human Resources department implemented 2021 its own training platform called Cosmetic Colors UNIVERSITY.

Training activities such as courses, workshops, and classes are offered online and face-to-face allowing dynamic and continuous learning and thereby an increasing level of education.

Face-to-face classes with certified teachers are conducted on the premises of Cosmetic Colors, CC site, with Cosmetic Colors providing the workspace and covering the expenses incurred by the teachers. Classes are usually held directly after working hours. Examinations are held after completion of a full training cycle, and school diplomas in compliance with Mexican state education regulations are issued by the Secretary of Public Education.

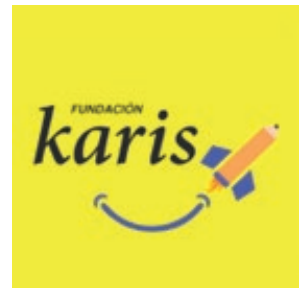


Currently, 61 colleagues, representing 15% of the total workforce of Cosmetic Colors, participate in classes of the Cosmetic Colors University.

Cosmetic Colors S.A., Colombia

Sponsoring of Scholarships of the Karis Foundation, Bogota, Colombia

In line with our community engagement policy the Schwan Cosmetics facility in Bogota, Colombia supports the karis foundation. Founded in 2017, the karis Foundation “seeks to provide opportunities and resources to children in vulnerability and their families, to turn on the light of change in their community through quality education and entrepreneurship.” Karis is committed to improving the quality of basic education, reducing inequalities in communities, reducing hunger, and creating legal jobs in the community.



In 2021/2022 Cosmetic Colors S.A. sponsored 9 laptops, 5 TV sets, and a conference camera to support school classes in language lessons. Furthermore, Cosmetics Colors sponsor 5 school children directly by paying their annual school fees in the amount of 5,600 US\$.



Eduardo Chavez, Managing Director of Cosmetic Colors S.A.: “As a company of the Schwan Cosmetics Group, we are pleased to partner with the Karis Foundation, following our global strategy of supporting local communities. We plan to continue and expand this collaboration in the years to come.”

Schwan Cosmetics CR s.r.o, Cesky Krumlov, Czech Republic

Schwan Czech Republic focuses on promoting education and health for kids by supporting several regional primary schools with monetary contributions. In addition, the entity sponsors a college for advanced technical training.

Donations to the St. Agnes of Bohemia Secondary School

Cesky Krumlov belongs to the UNESCO world heritage historic sites. It is an outstanding example of a small central European medieval town whose architectural heritage has remained intact thanks to its peaceful evolution over more than five centuries.

Schwan Cosmetics CR s.r.o donates to the St. Agnes of Bohemia Secondary School, where students are taught to master traditional crafts, which can contribute to the preservation of the city.

Schwan Cosmetics do Brasil, Curitiba, Brazil

Our Brazilian subsidiary is not only contributing directly to worthy causes within their neighborhood but there is a remarkable employee voluntarism and team spirit, which motivates many employees to donate their time or gifts for the worthy cause.



Volunteers also raised donations for the Global Network of Women for Peace as well as the Women's Cancer Network of Campo Grands.

Schwan Cosmetics do Brasil also organized a special Christmas celebration donating 455 BRL for food, music, and additional gifts for a local nursing home of disadvantaged elderly people.

City District Sponsorship / Schwan Cosmetics, Germany

The City District Sponsorship of Nuremberg (Stadteilpatenschaft Nürnberg) is a cooperation between companies, foundations, development associations, charity service clubs, the municipality, and local NGOs. Companies or foundations take on the sponsorship of a Nuremberg district, usually with special social development needs, for several years with financial and non-material support. For the year 2022, we took over the sponsorship of social projects from the St. Leonhard-Schweinau district of Nuremberg for the tenth time. For this special anniversary, we have decided to expand our commitment even further: This year, we are pleased to be able to support a total of eleven social institutions and initiatives in the district. The sponsored NGOs are committed to the areas of poverty prevention, learning, language promotion, health, and exercise or integrative cohesion and provide offers for children, young people, women, and their families.

To broaden the scope of district sponsorships within Schwan Cosmetics and thus increase the focus, this year for the first time some 11 employees volunteer for the sponsorships of the individual cooperation projects.

The list of projects we support in 2022

- Nuremberg Jazz Musicians
- Dare a little! - course at the CJD daycare center (Schweinau multigenerational house)
- Street Work Sankt Leonhard - Calisthenics movement park
- Culture Store Villa Leon - learning and language support
- School license plus - middle school Sankt Leonhard & Carl-von-Ossietzky middle school
- Senior Network in Sankt Leonhard/Schweinau Integrative Conversation Walks
- Senior Network in Sankt Leonhard/Schweinau - Healthy aging for Turkish women in Sankt Leonhard
- Sewing in the CJD daycare center (multigeneration house)
- Chess in the CJD daycare center (multigenerational house)
- Museum in a suitcase: Children's Museum Nuremberg (Children's Culture Summer)
- Experiential education day in the district - secondary school Sankt Leonhard & Carl-von-Ossietzky secondary school

Occupational Health & Safety

Management Approach

Ensuring a healthy, safe, and motivating work environment is a priority for us. Rigorous safety policies and practices continued safety messages, and consistent communication and engagement with employees, help us to reach our ultimate goal of zero workplace incidents. For severe accidents, it is our objective for all entities worldwide to continuously achieve rates significantly below the Germany Industry level. Occupational Health & Safety is overseen by the Executive Vice President, and the Executive Committee and managed by the Managing Directors of our facilities. Each entity has an expert for Environment + occupational Health & safety (EHS), who is responsible to establish standards required in the workplaces for all employees, contractors, and visitors. EHS-figures are part of the monthly report to the Executive Board.

Annual evaluation of EHS topics is part of this report. We comply with all legal EHS requirements in the countries we operate. We strongly oppose unsafe working conditions and encourage our employees to actively remove themselves from workplaces, which they believe to be could cause injury or ill health. All employees are requested to report unsafe working conditions so that we are given the opportunity to remedy them. All employees are protected against reprisals related to their reporting. For employees who wish to remain anonymous, we have set up a whistleblower system that can be accessed worldwide.

Hazard identification, Risk-assessment, and Incident investigation

According to their local installations and production technologies and in compliance with national regulations all entities perform a system for hazard identification and risk assessment. It is common practice that the job-related risk analysis is available at the workplaces themselves and that all employees are trained in this regard before they start work independently for the first time.

Workers are regularly instructed regarding workplace-specific risks. All accidents are investigated for their severity and cause, and suitable preventive measures are implemented to avoid their recurrence. Personal protective equipment is provided to all employees. Their use is monitored by supervisors. Compliance with all EHS measures is monitored by means of regular occupational safety audits. Formal joint management-worker health and safety committees hold regular EHS-meetings at which incidents, root cause analysis, and preventive measures are communicated, and developments over time are presented. The purpose of these meetings is also to promote cross-functional exchange and learning.

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS (INCL. LEASED)	323	104	790	308	63	561	166	652	181	3148
NO. OF HEADS REPRESENTED BY ELECTED EMPLOYEE REPRESENTATIVES	323	104	790	0	9	561	7	652	181	2627
PERCENTAGE	100%	100%	100%	0%	14%	100%	4%	100%	100%	82%

Accidents

Accidents		Severity		Total Incidents	Total Absence Days	Absence days per 100 employees	Total No. of employees
Entity	Fiscal Year	Less severe	More severe				
CG-CI Germany	2019 - 2020	13	14	27	421	38	1114
	2020 - 2021	9	6	15	305	27	1119
	2021 - 2022	9	8	17	385	34	1139
CK Germany	2019 - 2020	5	1	7	26	27	96
	2020 - 2021	1	0	1	13	14	95
	2021 - 2022	0	4	4	60	58	104
C1 USA	2019 - 2020	1	4	5	19	8	243
	2020 - 2021	5	3	8	19	7	258
	2021 - 2022	1	1	2	13	4	308
C2 China	2019 - 2020	0	0	0	0		68
	2020 - 2021	0	0	0	0	0	64
	2021 - 2022	0	0	0	0	0	63
C3 Czech Rep.	2019 - 2020	7	10	17	593	111	533
	2020 - 2021	4	12	16	974	189	514
	2021 - 2022	9	17	26	153	25	617
C4 Brazil	2019 - 2020	0	2	2	0	0	155
	2020 - 2021	2	1	3	21	13	158
	2021 - 2022	3	1	3	15	9	166
C5 Colombia	2019 - 2020	2	5	7	58	52	112
	2020 - 2021	0	3	3	15	12	124
	2021 - 2022	6	0	6	56	31	181
CC Mexico	2019 - 2020	8	10	18	368	93	396
	2020 - 2021	9	3	12	75	14	555
	2021 - 2022	18	9	27	21	3	710
Group	2019 - 2020	33	46	79	1866	69	2694
	2020 - 2021	30	28	58	1422	48	2933
	2021 - 2022	46	40	86	703	21	3296

The number of absence days declined from 1422 in FY 2020/2021 to 703 in FY 2020/2021, which is a result of strong improvements made by the Czech and Mexico facilities. The positive development is also reflected in the performance indicator for the relative number of accidents which declined from 48 to 21 absence days per 100 employees.

The industry sector-specific information on the number of severe accidents in Germany is provided by the DGUV, the Germany H&S insurance.

Fiscal Year	DGUV	Target	Schwan Cosmetics Group
2021 - 2022	32.8	< 32.8	17.1
2020 - 2021	31.4	< 31.4	9.6
2019 - 2020	33.1	< 33.1	12.1

*) all numbers: severe accidents per 1000 employees

The above results demonstrate the high level of safety we can guarantee for all our employees independently from the places they are located.

Employee´s Health & Safety Training

FY	Entity	CI/CG	CK	C1	C2	C3	C4	C5	CC	Group
2019 - 2020	No. of employees [active]	1162	102	243	68	533	155	112	396	2771
	No. of personal trained	1116	102	243	68	533	77	103	345	2587
	Share of personal trained [%]	96	100	100	100	100	50	92	87	93
2020 - 2021	No. of employees [active]	1002	92	258	64	421	144	122	550	2653
	No. of personal trained	800	88	258	68	439	104	100	506	2363
	Share of personal trained [%]	80	96	100	106	104	72	82	92	89
2021 - 2022	No. of employees [active]	997	100	308	63	561	166	176	710	3081
	No. of personal trained	836	100	308	63	561	129	176	710	2883
	Share of personal trained [%]	84	100	100	100	100	78	100	100	94

Health & Safety Training is provided annually to all employees. We strive for a 100% rate regarding documented proof of safety training. Due to employee absences, the fulfillment rate for the reporting period may be lower.

Customer Health & Safety

Management Approach

As a B2B-Manufacturer of self-developed cosmetic products customers around the world trust in the expertise of our scientists and developers to deliver safe products and the best beauty performance possible. Safety, green chemistry, performance, and well-being are the major objectives throughout our product development process.

Our Product Development department is responsible for product formulation. Our teams in charge of Formulation and packaging materials oversee all aspects of product development including materials selection, formula and packaging design, and qualification. Our Product Safety and Regulatory Affairs team manages continued monitoring of international regulations and recommendations to assure continued product safety for our entire product portfolio. We are a member of the Personal Care Products Council (PCPC) and the "Industrieverband Koerperpflege und Waschmittel" (IKW) support Cosmetic Ingredient Review.

Adverse Events

Our Target is Zero Adverse Events regarding the use of our products. An Adverse Event (AE) can be any unfavorable and unintended sign, symptom, or disease temporally associated with the use of a product. Adverse Events can only be assessed as such if they are confirmed by a qualified physician.

Year	Target	Actual
2018 - 2019	0	0
2019 - 2020	0	0
2020 - 2021	0	0
2021 - 2022	0	0

ISO 22716 Certification

As in previous years, no adverse events had to be reported by any Schwan entity. The implementation of a GMP (Good Manufacturing Practices) Management System in our facilities actively supports our efforts to continuously supply safe products at an outstanding quality level.

The following entities hold a Third-party certification to either ISO 22726 and/or IFS HPC Standard:

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)
ISO 22716	n.a.*	n.a.*	✓	✓	✓	✓	✓	✓	pending
IFS HPC	✓	n.a.*	✓	pending	pending	✓	pending	pending	pending

* n.a.: not applicable due to scope of operations

Product Labeling / Product Information

Management Approach

Our product portfolio includes hundreds of ingredients for our formulations and packaging materials. For all substances used relevant data are collected and evaluated by our Regulatory Affairs Team with regard to international applicable legislations in terms of composition, safety, and stability as well as labeling requirements. To enable our customers to provide consumers and authorities with comprehensive product information, we create Product Information Files (PIF) according to the European Cosmetics Regulation, EC 1223/2009. Marketing communications, about the proper use and disposal, complete the information provided by Schwan Cosmetics.

Although our customers as distributors are responsible for the correct labeling of the products, they sell to consumers, we monitor all customer feedback in this regard as part of our complaints management.

No incidents concerning product and service information and labeling marketing communications have been registered within the last four Fiscal years.

Year	Target	Actual
2018 - 2019	0	0
2019 - 2020	0	0
2020 - 2021	0	0
2021 - 2022	0	0

Employment Report

Total employment

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS (INCL. LEASED)	323	116	790	308	63	561	166	652	181	3148
THEREOF DIRECT WORKERS	7	88	521	208	59	351	83	453	63	1853
THEREOF INDIRECT STAFF	296	24	269	91	4	198	74	199	93	1247
THEREOF APPRENTICE & TRAINEE	21	4	24	0	0	0	9	0	5	63

Female / Male Proportion

	CG-CI (Germany)	CK (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS (INCL. LEASED)	1113	104	308	63	561	166	652	181	3148
THEREOF MALE	543	98	125	20	238	49	213	37	1342
MALE %	49%	94%	42%	32%	43%	30%	33%	23%	43%
THEREOF FEMALE	569	6	174	43	311	117	439	124	1801
FEMALE %	51%	6%	58%	68%	57%	70%	67%	77%	57%

Women in Executive Position

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS (INCL. LEASED)	323	104	790	308	63	561	166	652	181	3148
WOMEN IN EXECUTIVE POSITION	31	0	15	1	10	1	8	1	6	73
EXECUTIVE POSITIONS TOTAL	67	9	59	1	14	5	16	9	8	188
PERCENTAGE	46%	0%	25%	100%	71%	20%	50%	11%	75%	39%

Total workforce covered by formal elected employee representatives

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
NO. OF HEADS REPRESENTED BY ELECTED REPRESENTATIVES	323	103	790	0	10	561	7	652	181	2627
PERCENTAGE	100%	99%	100%	0%	16%	100%	4%	100%	100%	83%

Employee hires by age and gender

Age Group	Women					Men					Total [%] to absolute workforce
	< 30 Years	30 < x ≤ 50 Years	> 50 Years	Total	Total [%] to absolute female workforce	< 30 Years	30 < x ≤ 50 Years	> 50 Years	Total	Total [%] to absolute male workforce	
CG-CI Germany	15	14	0	29	5%	2	11	0	13	2%	4%
CK Germany	0	0	0	0	0	9	2	1	12	12%	12%
C1 USA	34	37	14	85	47%	28	30	10	68	54%	50%
C2 China	0	2	0	2	5%	0	0	0	0	0	3%
C3 Czech Rep.	26	58	10	94	31%	44	47	22	113	44%	37%
C4 Brazil	11	17	6	34	27%	4	7	0	11	27%	27%
C5 Colombia	58	57	4	119	82%	13	15	0	28	77,8%	81%
CC Mexico	79	96	24	199	40,7%	52	20	9	81	36,7%	42,9%
Group	223	281	58	562	30%	152	132	42	326	24%	28%

Employee turnover by age and gender FY 2020-2021

Age Group	Women					Men					Total [%] to absolute workforce
	< 30 Years	30 < x ≤ 50 Years	> 50 Years	Total	Total [%] to absolute female workforce	< 30 Years	30 < x ≤ 50 Years	> 50 Years	Total	Total [%] to absolute male workforce	
CG-CI Germany	4	13	4	21	4%	2	8	5	15	3%	3%
CK Germany	0	1	0	1	17%	1	1	1	3	3%	4%
C1 USA	53	52	28	133	73%	40	39	17	96	76%	75%
C2 China	0	0	0	0	0		2	1	3	13%	5%
C3 Czech Rep.	15	36	13	64	21%	21	28	12	61	24%	22%
C4 Brazil	21	13	3	22	17%	5	6	2	13	31%	48%
C5 Colombia	42	30	0	72	50%	4	13	0	17	47%	49%
CC Mexico	94	66	20	180	37%	66	37	12	115	52%	45,2%
Group	229	211	68	493	26%	139	134	50	323	17%	25%

Workforce covered by formal collective Agreements concerning working conditions

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
COLLECTIVE AGREEMENT	323	104	790	310	63	501	166	652	181	3110
PERCENTAGE	100%	100%	100%	100%	100%	89%	100%	100%	100%	98%

Total workforce who received hygiene training within the last 12 months

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
HYGIENE TRAINING PERFORMED	323	104	790	308	35	330	166	652	161	2042
PERCENTAGE	100%	100%	100%	100%	55.6%	58.8%	100%	100%	89%	65%

Total workforce who received safety training within the last 12 months

FY	Entity	CI/CG	CK	C1	C2	C3	C4	C5	CC	Schwan Cosmetics Group
2019 - 2020	No. of employees [active]	1162	102	243	68	533	155	112	396	2771
	No. of personal trained	1116	102	243	68	533	77	103	345	2587
	Share of personal trained [%]	96	100	100	100	100	50	92	87	93
2020 - 2021	No. of employees [active]	1002	92	258	64	421	144	122	550	2653
	No. of personal trained	800	88	258	68	439	104	100	506	2363
	Share of personal trained [%]	80	96	100	106	104	72	82	92	89
2021 - 2022	No. of employees [active]	997	100	308	63	561	166	176	710	3081
	No. of personal trained	836	100	308	63	561	129	176	710	2883
	Share of personal trained [%]	84	100	100	100	100	78	100	100	94

Average training hours provided per employee

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
TOTAL TRAINING HOURS	1643	237	2900	15400	12096	24420	1605	31849	3864	94014
AVERAGE TRAINING HOURS PER EMPLOYEE	5.1	2.3	3.7	50	192	43,5	9.7	44.9	24.0	29.5

Regular performance and career development reviews

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
NO. OF EMPLOYEES TRAINED	-	-	574	280	63	561	-	652	181	2311
PERCENTAGE	-	-	-	94%	100%	100%	-	100%	100%	55%

* Some entities did not provide data until the completion of this report, which is why related information is not included

No. of apprenticeships/scholarships

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
NO. OF APPRENTICESHIPS	21	4	24	0	31	2	3	4	17	106

Environmental training within the last 36 months

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
ENVIRONMENTAL TRAINING PERFORMED	323	104	790	299	63	296	46	652	181	2754
PERCENTAGE	100%	100%	100%	94%	100%	54%	27.71%	100%	100%	87%

Handicapped Employees

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
TOTAL HEADS DISABLED	14	5	95	0	2	10	3	31	0	160
PERCENTAGE	4%	5%	12%	0%	3%	2%	2%	5%	0%	5%

Diversity of governance bodies and employees

Category	Gender	Entity	CI/CG	CK	C1	C2	C3	C4	C5	CC	Schwan Cosmetics Group
Executives, Directors & Managers	Women	< 30 Years	0	0	0	0	0	0	0	0	0
		30≤X≤50	8	0	4	10	5	6	6	6	45
		>50 Years	6	0	6	0	2	2	1	1	18
	Men	< 30 Years	0	0	0	1	0	0	1	0	2
		30≤X≤50	21	1	6	4	10	4	2	7	55
		>50 Years	19	0	7	0	4	2	3	7	42
White collar	Women	< 30 Years	24	0	9	1	5	12	22	58	131
		30≤X≤50	172	2	28	9	49	24	35	23	342
		>50 Years	110	3	21	2	3	4	8	11	162
	Men	< 30 Years	12	2	4	1	3	4	10	54	90
		30≤X≤50	72	6	19	2	28	15	13	51	206
		>50 Years	94	11	9	1	7	1	2	13	138
Blue collar	Women	< 30 Years	32	1	67	0	26	6	11	95	238
		30≤X≤50	72	0	95	19	137	56	53	193	625
		>50 Years	145	0	77	1	78	15	9	102	427
	Men	< 30 Years	41	23	69	0	36	2	0	36	207
		30≤X≤50	104	26	69	9	122	9	5	33	377
		>50 Years	180	30	39	3	46	4	0	20	322

Ratio of basic salary and remuneration of women to men

Entity	Country	Year	Managers	White Collar	Blue Collar
CI	Germany	2021-2022	0.67	1	0.93
CG	Germany	2021-2022	0.89	0.97	0.98
CK	Germany	2021-2022	n.a.	1	n.a.
C1	USA	2021-2022	1.05	0.87	0.76
C2	China	2021-2022	0.57	2.92	1.14
C3	Czech Rep.	2021-2022	0.87	0.79	0.85
C4	Brazil	2021-2022	0.87	0.59	0.73
C5	Colombia	2021-2022	0.53	1.22	0.48
CC	Mexico	2021-2022	0.67	1.01	1.01

The evaluation is based on absolute salaries and the number of employees assigned to the individual groups. Due to an over-proportional share of part-time employees in some groups, conclusions about the existence of gender-specific pay are limited. Therefore, in the following reports, payment is presented according to FTE (full-time-equivalent).

Freedom of Association

Entity	CI-CG	CK	C1	C2	C3	C4	CC	C5
Country	Germany	Germany	USA	China	Czech Rep	Brazil	Colombia	Mexico
Risk of violation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Risk evaluation trough	annual SMETA Audit	annual SMETA Audit	annual SMETA Audit	annual SMETA Audit	annual SMETA Audit	annual SMETA Audit	annual SMETA Audit	annual SMETA Audit

For entities of the Schwanhaeuser Group, a social charter has been signed which, among other things, also guarantees employees' freedom of association. Compliance with this standard is checked in annual SEDEX audits.

Training on discrimination, human rights, and corruption within the last 36 months (CODE OF CONDUCT TRAINING 2020)

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Schwan Cosmetics (Group)
TOTAL HEADS	323	104	790	308	63	561	166	652	181	3148
NO. OF STAFF TRAINED	323	104	790	308	63	439	166	652	181	3026
PERCENTAGE	100	100	100	100	100	80	100	100	100	96

Employment by type of Contract

Entity	Type of Contract				
	Fiscal Year	Permanent	Temporary	Leased	Total
CI-CG	2019-2020	1114	0	0	1114
	2020-2021	1119	0	0	1119
	2021-2022	1033	79	15	1139
CK	2019-2020	96	0	0	96
	2020-2021	95	0	0	95
	2021-2022	104	0	0	104
C1	2019-2020	242	1	0	243
	2020-2021	252	6	0	258
	2021-2022	308	2	0	310
C2	2019-2020	66	2	0	68
	2020-2021	64	0	0	64
	2021-2022	63	0	0	63
C3	2019-2020	532	1	0	533
	2020-2021	496	0	18	514
	2021-2022	501	0	60	561
C4	2019-2020	155	0	0	155
	2020-2021	158	0	0	158
	2021-2022	166	0	0	166
C5	2019-2020	91	21	0	112
	2020-2021	94	30	0	124
	2021-2022	120	61	0	181
CC	2019-2020	394	0	2	396
	2020-2021	555	0	0	555
	2021-2022	710	0	0	710
Group	2019-2020	2690	25	2	2717
	2020-2021	2833	36	18	2887
	2021-2022	3005	142	75	3234

Employees by contract and gender

Entity	Type of Contract	Women			Men		
		Fiscal Year					
		2021-2022	2022-2023	2023-2024	2021-2022	2022-2023	2023-2024
CI-CG	Permanent	524			509		
	Temporary	45			34		
	Total employees	569			543		
CK	Permanent	5			95		
	Temporary	1			3		
	Total employees	6			98		
C1	Permanent	181			125		
	Temporary	1			1		
	Total employees	182			126		
C2	Permanent	45			18		
	Temporary	0			0		
	Total employees	45			18		
C3	Permanent	276			225		
	Temporary	30			30		
	Total employees	306			255		
C4	Permanent	125			41		
	Temporary	0			0		
	Total employees	125			41		
C5	Permanent	63			26		
	Temporary	82			10		
	Total employees	145			36		
CC	Permanent	489			221		
	Temporary	0			0		
	Total employees	489			221		
Group	Permanent	1708			1260		
	Temporary	159			78		
	Total employees	1867			1338		

SUSTAINABLE SOURCING



Management Approach

For some years already, the cosmetics industry is undergoing a rapid and strong transformation process towards more sustainable and environmentally friendly products, while maintaining high expectations for the performance and appearance of consumer products. This development also touches on materials used for formulations and packaging materials as well as their sourcing routes and conditions of manufacture. It is to be expected that consumer awareness of sustainability will further develop in the future.

While Schwan's customers continue to expect unchanged flexibility, agility, and speed in global supply chains, our sourcing teams must simultaneously manage the required change processes in supply chains. Based on a shared understanding of ethical and sustainable action, we aim to work with our business partners to find answers to global social and environmental challenges.

Our approximately 200 core suppliers operate in the chemical industry, the processing of chemical base materials, the manufacture of resins, and the production of components and delivery systems. In addition, we cooperate worldwide with suppliers of wood for our wooden cosmetic products and source various packaging materials for transport and product presentation.

Our purchasing and product development teams work diligently on the transition to sourcing ingredients increasingly responsibly and with attention to potential impacts on people and the environment. Our Supplier Code of Conduct requires our suppliers to comply with the relevant employment requirements and responsibilities in compliance with ILO Standards. A supplier confirmation of acceptance is part of our supplier qualification and approval process.

Due to the forthcoming entry into force of the German, and subsequently the European Supply Chain Act, we will further intensify and detail our supplier screening with regard to socio-ecological aspects. In the following fiscal year, we are going to align our reporting accordingly.

An intensified supplier involvement with regard to social standards, GHG emissions, and waste reduction will be another key factor to achieve our mid-and long-term objectives.

Supplier Due diligence / Supplier Risk Assessment

For the second time, a Supplier Risk-Evaluation has been prepared. The assessment covers all suppliers of raw materials, primary packaging materials, and secondary packaging. This covers approx. 80% of our purchasing volume (services not included). The supplier evaluation is based on risk country evaluation according to the EcoVadis rating. In the case of known "risk-materials", additional criteria have been set for supplier evaluations (see section "Mica&Palm Oil" below).

It is our objective to exclusively cooperate with suppliers who can demonstrate full compliance with our expectations.

Share of non-risk suppliers

Fiscal Year	Share	Primary Packaging Materials	Raw materials	Secondary Packaging Materials	Target
2020 - 2021	Suppliers	87	97	95	100
	Share Purchasing Volume	93	98	96.5	100
2021 - 2022	Suppliers	97	98	100	100
	Share Purchasing Volume	99%	98	100	100

A detailed assessment of some suppliers allowed us to change the classification to "non-risk" suppliers, almost achieving our goal of 100%.

Sourcing of Mica-based products

Since the world's largest mining areas of mica are located in one of the least developed regions of India, the supply chains of mica are subject to increased attention regarding compliance with social standards in their extraction and further processing. As some of our MICA suppliers are located in India, we established due diligence and risk analysis which is carried out jointly by CSR and Purchasing. Suppliers based in risk countries must be an RMI (Responsible MICA Initiative) member, demonstrate supply chain transparency, and further evidence of third-party evaluation like EcoVadis rating and/or actual SMETA Audit reports.

Palm Oil

Palm oil derivatives refer to the final ingredients created from palm oil that is used in many of our formulations. As a member of the Roundtable for Sustainable Palm Oil (RSPO), we actively support the development of sustainable supply chains which will help to preserve the particular biodiversity of natural forests in the producing countries.

It is our objective to exclusively source RSPO Mass Balance (MB) – or higher – certified Palm(kernel)oil and Derivatives by end of FY 2024/2025

RSPO Certified Palm Oil Derivates				
Fiscal Year	2019/2020	2020/2021	2021/2022	Objective 2024/2025
Share	70%	80%	85%	100%

Sustainable Wood sourcing

For traditional sharpenable pencils wood has always been the material of choice. Wood-clenched sharpenable cosmetics pencils still represent a considerable share of our product portfolio. Customers and consumers increasingly expect us to source wood products from verifiable sustainably managed forests and that the social criteria for the employment of our wood suppliers' employees do meet internationally recognized labor standards. We have therefore set ourselves the goal of processing exclusively FSC- and PEFC-certified wood in the future. Since wood procurement is usually hedged with longer-term contracts and stockholding, a corresponding conversion period is unavoidable. Wood is processed in the entities listed below only:

Entity	No. units processed	Thereof units Certified	No. units uncertified	Share certified
C3 (Czech Rep.)	27,636,315	27,636,315	0	100%
CC (Mexico)	6,524,094	3,497,860	3,026,234	53.6%
Group	34,160,409	31,134,175	3,026,234	91.1%

Corporate Target: Increase locally sourced wood by 5% to the base year 2020/2021

Locally sourced wood shall be grown and processed on the same continent.

Entity	No. units processed	Increase to base year
FY 2020/2021	2,197,215	0.00%
FY 2021/2022	2,375,020	7.48%

While the targeted growth for the sourced quantity of wood has been significantly over-achieved the overall share of locally sourced wood remains to be low, due to supply chain constraints, which are not expected to be resolved within shortly.

Supplier screening in environmental criteria

Environmental criteria are part of the supplier assessment and approval process for any new supplier. In the case of materials that bear known environmental risks with environmental impact, further evidence is required and evaluated in accordance with internally required standards (see also sections above). Further criteria such as supply chain distance and preferred mode of transportation are considered to be included in future evaluations.

New suppliers screened using environmental criteria.

Entity	No. of new suppliers	No. of suppliers screened using environmental criteria	Percentage
FY 2020/2021	16	16	100%
FY 2021/2022	10	10	100%

Statement on changes to the supply chain organization

There have no significant changes been made to the purchasing organization and the supply chain to the previous year 's report.

Statement on incidents of violations involving the rights of indigenous peoples

Within the reporting period, no incidents of violations involving the rights of indigenous people have been notified.

Environmental impacts on the supply chain

As a company that works with a large number of partners in many different countries, we are aware that our supply chain has a significant impact on our environmental performance.

Therefore, we already require our suppliers to comply with legal environmental standards through our Supplier Code of Conduct. We also see significant impacts on our environmental performance in the upstream emissions from transportation, as well as in the handling of packaging materials. An evaluation of both aspects is currently in preparation. From this, we intend to develop KPIs that will allow an objective assessment of all improvement measures still to be developed.



ENVIRONMENT

Management Approach

Our Global Quality and CSR function which includes all ESG topics are responsible for managing GHG-emissions and energy, waste, and water use. The CSR team develops and implements policies and strategies for energy- and waste-reduction and the avoidance of waste.

The local MD and CSR managers support the specified strategy in its implementation and develop local programs for its implementation. Our environmental policy stipulates the strategy of our overall approach to relevant environmental topics.

External certification according to ISO 14001, is expected to drive our improvements on environmental issues, why we would like to certify all sites by the end of FY 2026/2027.

For this report, we conducted a third-party verification of the Cosmetic Group 's GHG emissions according to Green House Gas Protocol through DQS, certified to ISO 14064 Standard.

Our recent membership in the SBTI (Science Based Targets Initiative) helps us to continue the monitoring of our efforts towards an increasingly careful use of our natural resources and to have them confirmed by an independent third party.

Energy Consumption

Fiscal Year	Fuel			Electricity			Total Energy	
	Total Fuel [MWh]	Thereof non-renewable [TJ]	Thereof renewable [TJ]	Electricity total [MWh]	Thereof renewable [MWh]	Renewables share	[MWh]	Share of Renewables
2021-2022	20781	74810	0	35064	24232	69.1 %	55845	43.4 %
2020-2021	19426	69934	0	29306	21686	74.0 %	48732	44.5 %
2019-2020	20587	74113	0	27815	-	-	48402	-

An increasing production volume led to an increase in total energy consumption. Due to synergy effects, the per-product-energy-intensity declined however by 16% to the previous year.

Energy Intensity Ratio (per 1000 units sold)

Energy Efficiency [kWh/1000units]				
Business Year	2019/2020	2020/2021	2021/2022	2022/2023 (Target)
kWh/1000units	104.61	132.7	111.14	94.1

GHG-Emissions

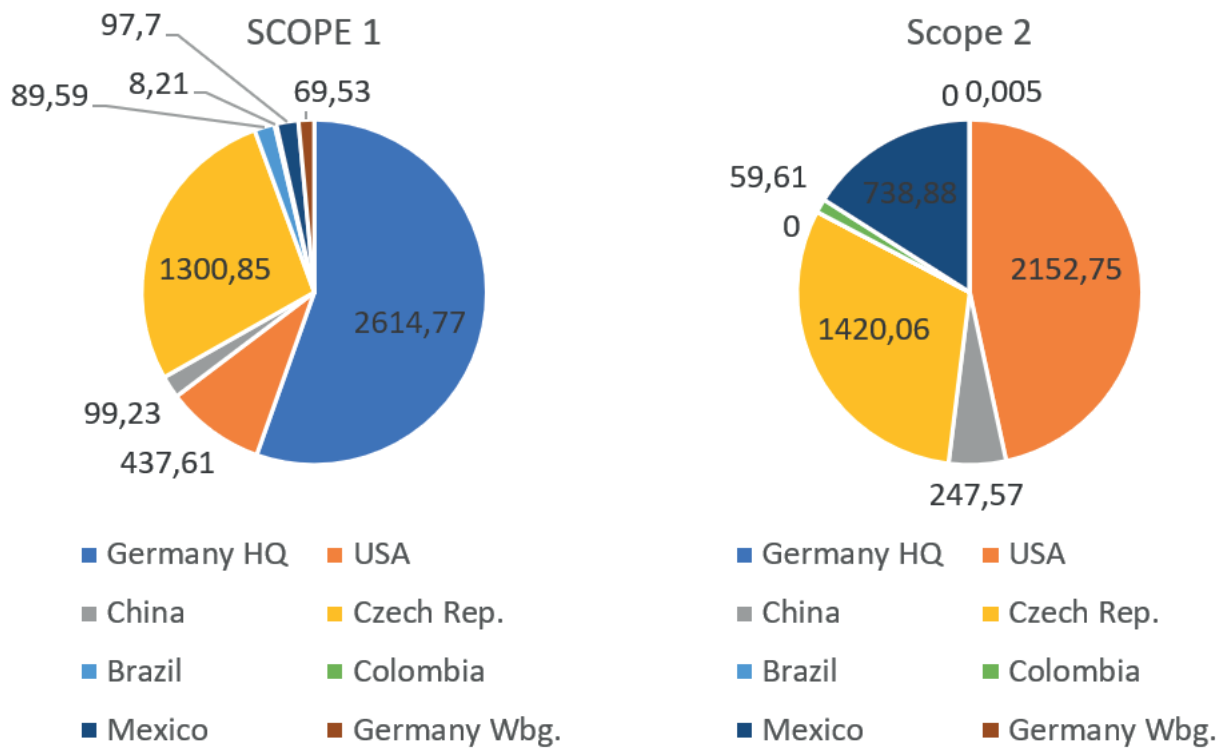
The reduction of GHG-emissions to Net Zero by 2040 is a central objective of the Schwan Cosmetics Group. Significant improvements have been made since 2016/2017 when Schwan Cosmetics started to actively reduce emissions. In order to prove our calculation methodology and the accuracy and completeness of our Reporting, we successfully subjected 2021-2022 scope 1- and scope 2-emissions reporting to third-party verification in accordance with ISO 14046. The Certificate issued by DQS demonstrates to our stakeholders the reliability and accuracy of the reported data.

Scope 1,2 Emissions Inventory (Schwan Cosmetics group BY 2016/2017 – 2021/2022)

GHG - emissions		Base Year 2016/2017	BY 2017/2018	BY 2018/2019	BY 2019/2020	BY 2020/2021	BY 2021/2022
Cosmetics Group							
1	Category 1: Direct GHG emissions and removals in tons CO ₂ e	7371.307	5327.203	4015.694	4935.705	4322.215	4751.1
1.1	Direct emissions from stationary combustion (Gas)	6644.592	4670.378	3421.659	3572.411	3786.762	4237.4
1.2	Direct emissions from mobile combustion	564.382	510.130	461.328	359.822	415.865	218.1
1.3	Direct process emissions and removals arise from industrial processes						66.2
1.4	Direct fugitive emissions arise from the release of greenhouse gases in anthropogenic systems (Refrigerants)	162.296	146.695	132.661	103.472	119.588	229.5
Cosmetics Group							
2	Category 2: Indirect GHG emissions from imported energy in tons CO ₂ e	17480.93	12100.35	7603.84	6846.53	6427.10	4619.10
2.1	Indirect emissions from imported electricity	17480.93	12100.35	7603.84	6846.53	6427.10	4619.05
2.2	Indirect emissions from imported energy	0	0	0	0	0	0.05
Cosmetics Group							
1+2	Direct & Indirect Emissions in tons CO ₂ e	24852.20	17427.55	11619.49	10882.24	10749.32	9370.2

The reduction of Scope1- and Scope2-emissions to date has been achieved to a significant extent by switching from the average electricity mix to electricity generated from renewable sources in some of the entities. Scope 1 emissions are substantially (~80%) determined by the consumption of gas (Natural Gas, LPG, Propane). Here, a dampening of the increase in emissions to BY 2020-2021 was achieved using CO₂-compensated Natural Gas in Schwan Cosmetic Kunststofftechnik (CK) in Weissenburg.

Materiality of Scope 1,2 emissions [tons CO2e] (BY 2021-2022)



Scope 1 emissions are essentially (92%) caused by the emissions from gas consumption for heating purposes of the entities located in Germany, Czech Republic, and the USA. Besides conventional efforts to reduce consumption, technological updates will expectedly require some years for planning prior to implementation. The majority of Scope 2 emissions are generated by emission from purchased electricity in the USA, Czech Republic, and Mexico.

GHG-Emission Intensity (Scope1,2)

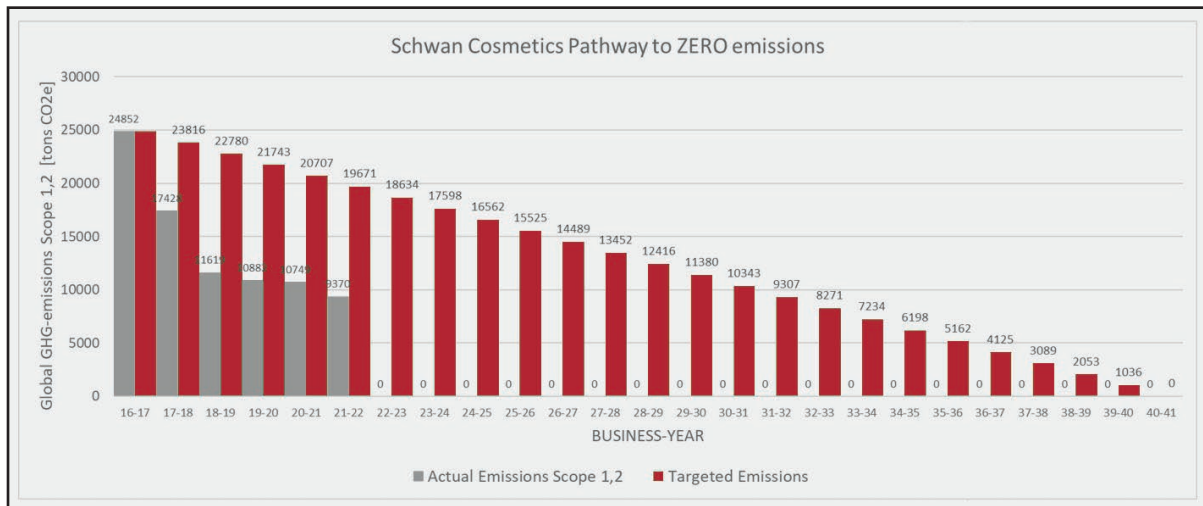
Business Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Total Emissions Scope 1,2 [toms]	24852.20	17427.55	11619.49	10882.24	10749.32	9370.2
Emissions intensity per product [g CO2e/ unit]	43	35	24	26	29	19
Reduction [%] to Base Year 2016/2017	0	17	43	39	32	56

Share of Renewable Energy (Scope 1,2)

Fiscal Year	Fuel			Electricity			Total Electricity + Fuel	
	non-renewable resources [MWh]	non-renewable resources [GJ]	renewable resources [GJ]	Total [MWh]	from renewable resources [MWh]	Share of renewables	Total Energy [MWh]	Share of renewable energy
BY 2021-2022	20781	74810	0	35064	24232	69,1%	55845	43,39%
BY 2020-2021	19426	69934	0	29306	21686	74,0%	48732	44,50%
BY 2019-2020	20587	74113	0	27815	-	-	48402	-

Achievement of Objectives Emission development & mid-term targets

It is the Schwan Cosmetics long-term target to achieve ZERO emissions by 2040 for Scope 1,2, and 3 emissions. On a linear reduction scale our mid-term targets correspond with a reduction of 33,4% until BY2024/2025, a reduction by 54.2 % until BY2029/2030 respectively.



With a reduction of 62% to base year we are currently significantly ahead of our mid-term targets. Further reduction will be achieved by the installation of a solar power fields in some entities.

Scope 3 GHG-emissions

The Schwan Cosmetics group is currently on its way to developing a global reporting methodology for all scope 3 emissions within its organizational and operational boundaries.

A comprehensive assessment performed for the fiscal year 2018-2019 for the German entities already revealed that Scope 3 emissions form a significant part of the total emissions of the group.

It is our objective to prepare a comprehensive materiality analysis of Scope 3 emissions for the BY 2022/2023 in the following report.

Based on representative emission calculations already carried out in key areas of the group, it became obvious that scope 3 emissions represent a significant component of the overall GHG-emissions balance. For this reason, initial measures and plans to reduce such emissions are already being implemented in parallel with the materiality analysis. These consist of actively influencing the mode of transportation (sea freight vs. airfreight) of materials and avoidance of transport emissions by increasingly procuring and producing components locally.

Statement on other emissions

Schwan Cosmetics does not generate emissions of ozone-depleting substances (ODS), Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions.

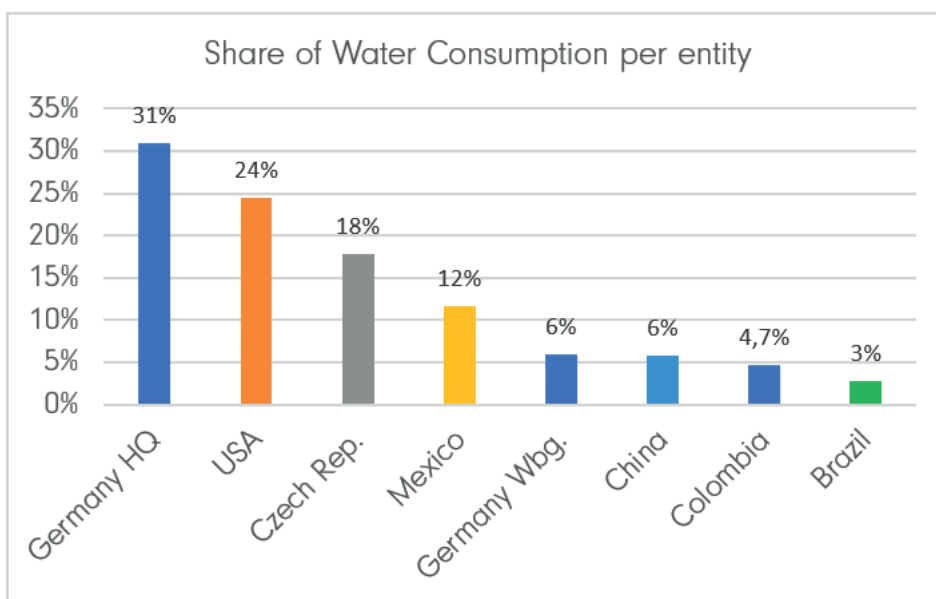
Water

Under the impression of changing climatic conditions, the availability of water as well as the consumption of this resource is of steadily increasing interest. To have an overview of Schwan´s water consumption and consumption intensity of our production, we continuously determine both factors total water use and per-unit water consumption. In 2019 we set a target of a water intensity reduction of 10% until the end of the calendar year 2022.

Entity / BY	Water Consumption [m3]			Water consumption per units produced [liter]		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
USA	17791	16067	19024	0.37	0.32	0.28
China	4814	4853	4536	0.75	1.22	0.40
Czech Rep.	11258	12675	13849	0.15	0.16	0.13
Brazil	2014	2080	2206	0.21	0.17	0.12
Colombia	39,5	43,3	79,2	0.00	0.01	0.01
Mexico	5934	5751	5867	0.12	0.11	0.08
Germany, HQ	21180	17182	24023	0.10	0.10	0.11
Germany, Wbg.	9735	4854	4622	n.a.	n.a.	n.a.
Group	72766	63505	74206	0.18	0.17	0.15

Overall water Consumption is determined by the quantity produced. By implementing local projects to reduce water consumption, significant progress has been made with a 17%-reduction of the per-unit water consumption over the last 2 fiscal years and a 12% reduction to the last FY.

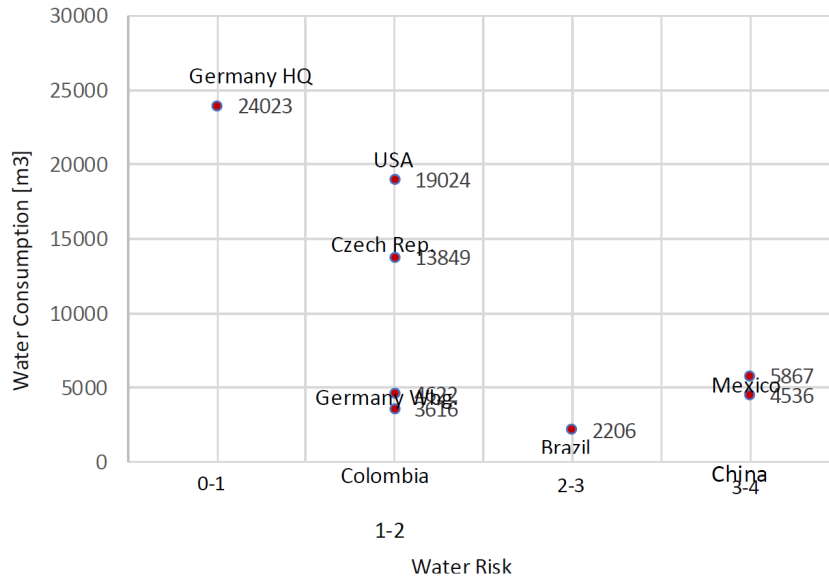
Water consumption - Materiality Analysis and Risk-Assessment



Water-Risk vs. Consumption-Correlation

Clean water supplies are today increasingly viewed as a constraint on economic growth, ecosystems, and social justice. Sustainable water use is becoming more important, as companies recognize their own potential for both negative and positive impacts on water.

The classification of existing water risks at our global sites is carried out according to the assessments of the World Resources Institute.



87% of the total water consumption is utilized in places of low (0-1) to medium-high (2-3) overall water risk, and only 13% is utilized in areas with high water risk. Conventional measures to reduce water consumption have already been implemented at these entities, as well as other sites. Decisions have yet to be made on further reaching measures to effectively reduce overall water consumption.

Water Disposal

Entity / BY	Water Disposal [m3]		
	2019/2020	2020/2021	2021/2022
CI	20841	17058	23837
C1	4303	4993	8700
C2	4814	4853	4536
C3	11258	12675	13849
C4	1651	1704	1809
C5	1536	1047	3616
CC	5934	5751	5867
CK	5424	4240	4622
Group	55761	52321	66836

All water is either directly disposed to public sewage systems or recycled prior to disposal.

Waste

Avoiding waste through replacement and reduction strategies is our priority. In addition, we pursue the strategy of reusing or recycling waste by implementing the most promising option for the materials in question in each case. If waste cannot be reused or recycled, it shall preferably be converted to energy by licensed power plants. In fiscal year 2021-2022, 20% of our total waste was disposed on landfills. It is our target to achieve zero-waste-to-landfill until the end of FY 2024-2025.

Non-Hazardous Waste Recovery, Recycling, and Disposal

Entity / BY	[tons]	2019/2020	2020/2021	2021/2022
Germany	total	862	429	517
	thereof recovery	6	7	10
	thereof recycling	101	81	76
	thereof disposal to incineration plants	755	341	431
	thereof disposal to landfill	0	0	0
USA	total	181.9	160	227.44
	thereof recovery	0	0	0
	thereof recycling	88.5	67.6	82.6
	thereof disposal to landfill	93.4	92.4	144.84
China	total	4.19	4.43	4.61
	thereof recovery	0	0	0
	thereof recycling	0	0	0
	thereof disposal to landfill	0	0	0
Czech Rep.	total	358.582	332.683	384.327
	thereof recovery	189.09	146.9	144.54
	thereof recycling	81.143	66.258	79.691
	thereof disposal to landfill	88.349	119.525	160.096
Brazil	total	56.778	41.75	50.26
	thereof recovery	0	0	2.4
	thereof recycling	35.703	24.06	24.25
	thereof disposal to landfill	21.075	17.69	23.61
Colombia	total	30.27	33.49	65.93
	thereof recovery	0	0	0
	thereof recycling	28.678	30.778	63.678
	thereof disposal to landfill	2.5	2.72	2.25
Mexico	total	210.47	172.78	223.3
	thereof recovery	0	0	0
	thereof recycling	38.17	35.69	32.1
	thereof disposal to landfill	0	0	0
Germany Wbg.	total	263.2	172.78	162.44
	thereof recovery	61	0	18.34
	thereof recycling	29.9	35.69	55.8
	thereof disposal to landfill	0	0	0
Group	total	1967	1347	1635
	thereof recovery	256	154	175
	thereof recycling	403	341	414
	thereof disposal to incineration plants	1104	620	715
	thereof disposal to landfill	205	232	331

Hazardous Waste Disposal

Entity / BY	[tons]	2019/2020	2020/2021	2021/2022
Germany HQ	total	230	160	226
	Disposed of by incineration with energy recovery	175	121	170
	Disposed of by incineration without energy recovery	55	39	56
	thereof disposal to landfill	0	0	0
USA	total	2	3.4	4
	Disposed of by incineration with energy recovery	0	0	0
	Disposed of by incineration without energy recovery	2	3.4	4
	thereof disposal to landfill	0	0	0
China	total	0.14	0.15	0.98
	Disposed of by incineration with energy recovery	0	0	0
	Disposed of by incineration without energy recovery	0.14	0.15	0.98
	thereof disposal to landfill	0	0	0
Czech Rep.	total	164.71	121.41	125.27
	Disposed of by incineration with energy recovery	164.71	121.41	125.27
	Disposed of by incineration without energy recovery	0	0	0
	thereof disposal to landfill	0	0	0
Brazil	total	4.17	30.7	60.51
	Disposed of by incineration with energy recovery	0	2.97	6.62
	Disposed of by incineration without energy recovery	0	0	0.55
	thereof disposal to landfill	4.17	27.73	53.34
Colombia	total	9.22	9.54	13.30
	Disposed of by incineration with energy recovery	0	0	0
	Disposed of by incineration without energy recovery	9.22	9.54	13.30
	thereof disposal to landfill	0	0	0
Mexico	total	0	47.88	30.60
	Disposed of by incineration with energy recovery	0	47.84	30.60
	Disposed of by incineration without energy recovery	0	0.04	0
	thereof disposal to landfill	0	0	0
Germany Wbg.	total	0,01	0	0
	Disposed of by incineration with energy recovery	0	0	0
	Disposed of by incineration without energy recovery	0,01	0	0
	thereof disposal to landfill	0	0	0
Group	total	410	373	461
	Disposed of by incineration with energy recovery	340	293	332
	Disposed of by incineration without energy recovery	66	52	75
	thereof disposal to landfill	4	28	53

Waste Intensity

The total production of waste can be assumed as directly linked to the overall production volume. Why absolute figures for the waste produced must generally follow the total numbers of products produced if no significant change in the product portfolio takes place. The correlation between waste volume and production volume does however allow to measure per product “waste-Intensity” as an indicator of contributions made to increase waste efficiency.

Non-Hazardous Waste Intensity

Entity / BY	Non-Hazardous Waste [tons]			Waste intensity [grams/unit]		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
Germany HQ	862	429	517	3.99	2.56	2.41
USA	181.9	160	227.44	3.74	3.15	3.30
China	4.19	4.43	4.61	0.65	1.12	0.40
Czech Rep.	358.58	332.68	384.33	4.72	4.29	3.68
Brazil	56.778	41.75	50.26	5.85	3.37	2.74
Colombia	30.27	33.49	65.93	3.49	6.71	5.56
Mexico	210.47	172.8	223.30	4.29	3.22	3.07
Germany Wbg.	263.20	172.78	162.44	-	-	-
Group	1967	1507	1635	4.74	3.63	3.25

The waste intensity for non-hazardous waste dropped by 11% for the group from FY2020/2021 to FY 2021/2022. This result is mainly driven by the reduction of per-product waste in the Germany, Czech Republic, Brazil, Colombia, and Mexico production sites.

Hazardous Waste Intensity

Entity / BY	Hazardous Waste [tons]			Waste intensity [grams/unit]		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
Germany HQ	230	160	226	1,06	0,95	1,05
USA	2	3,4	4	0,04	0,07	0,06
China	0.14	0,15	0,98	0,02	0,04	0,09
Czech Rep.	164,71	121,41	125,27	2,17	1,56	1,20
Brazil	4,17	30,7	60,51	0,43	2,48	3,30
Colombia	9,22	9,54	13,296	1,06	1,91	1,12
Mexico	0	47,88	30,6	0,00	0,89	0,42
Germany Wbg.	0,01	0	0	-	-	-
Group	410	373	517	0,99	1,01	0,92

For the entire group the waste intensity of the hazardous waste declined by 7% to FY 2019/2020, and by 9% to the last fiscal year. As the classification of hazardous waste is subject to continuously changing regulations, no separate target is defined for these substances.

Total Waste Intensity

Entity / BY	Hazardous + Non-Hazardous Waste [tons]			Waste intensity [grams/unit]		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
Germany HQ	1092	589	745	5,05	3,51	3,46
USA	184	163	231	3,78	3,22	3,36
China	4	5	6	0,67	1,15	0,49
Czech Rep.	523	454	510	6,88	5,85	4,87
Brazil	61	72	111	6,28	5,86	6,04
Colombia	39	43	79	4,55	8,62	6,68
Mexico	210	221	254	4,29	4,11	3,49
Germany Wbg.	263	173	162	-	-	-
Group	2378	1880	2096	5,73	5,07	4,17

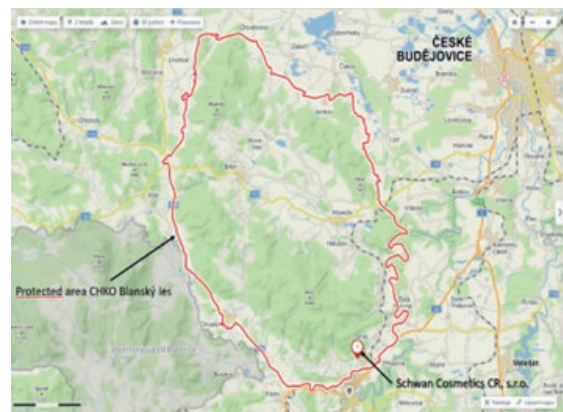
The waste intensity of the total waste did decline by 27% from FY 2019/2020 to FY 2021/2022, and by 18 % from FY2020/2021 to FY 2021/2022 respectively. Some entities were able to again reduce the per-unit waste rate significantly, why the group target of minus 10% for the global waste reduction for the end of the year 2022 was already reached ahead of time.

Best practices identified in Germany and other sites shall be shared and locally applicable measures will be transferred. A new target will be set for the following FY 2022/2023.

Biodiversity

Due to the nature of our products and our current manufacturing technologies our business activities create a very limited impact on biodiversity.

One of our entities, Schwan Cosmetics CR s.r.o (48.83306; 14.32763) is today located on the edge of an IUCN Category V (landscape/seascape conservation) protected area, which aims to protect overall landscapes and seascapes that have value to biodiversity, while not targeting to protect identified species and habitats.



The site with an estate size of 0,075 km² and, a built-up area of 0,035 km², is continuously monitored and inspected by authorities for their environmental compliance with the IUCN distinguishing features objectives. In this way, an unintended negative impact on the protected area is avoided. The certification of the site according to ISO 14001 helps to sustainably manage and reduce environmental risks.



SUSTAINABLE PRODUCT DEVELOPMENT

Management Approach

Our customers require and trust, that we incorporate their individual sustainability product targets into our development process for new products. The market requirements and trends are frequently changing regarding the best-practice and best approach to fulfill the end-consumer sustainability understanding, interpretation, and demands. On top of that, we have a strong internal ambition to improve our environmental impact and the society we live in every day.

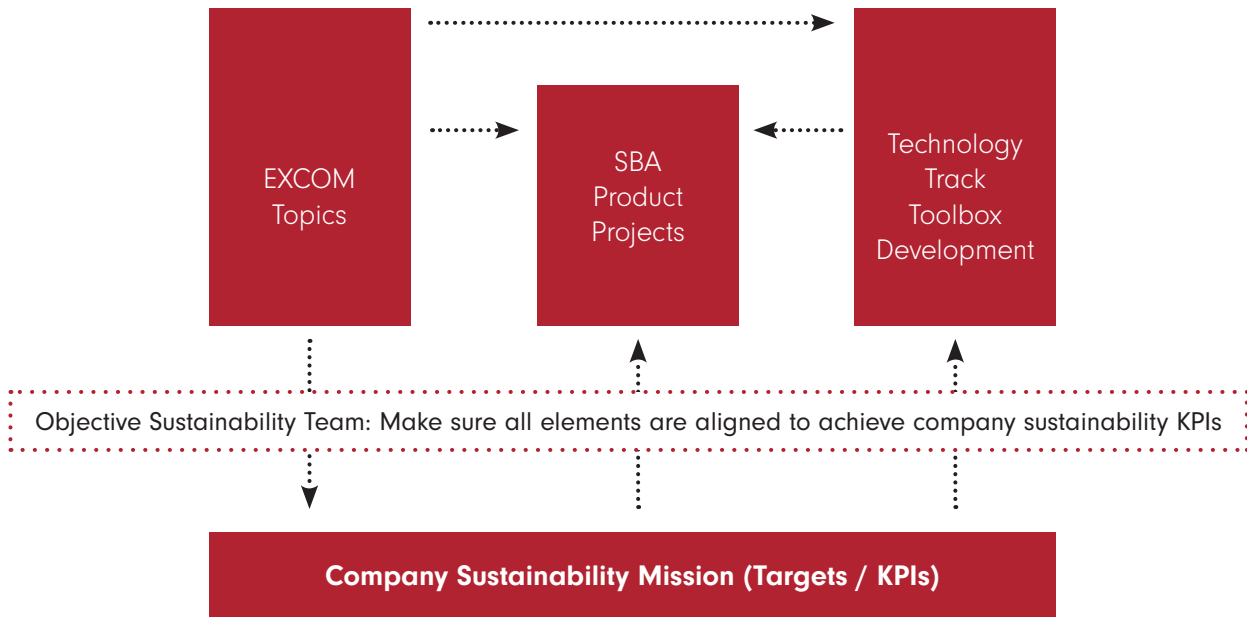
To be able to manage the diversity of customer requirements, end-consumer requirements, and internal ambitions, the “Sustainable Business Innovation” (SBI) team is in place – a group of material experts, packaging experts, process experts, and managers.

The SBI team regularly collects customer input (business meetings with customers, trade fairs, grey-list/black-lists), and end-consumer trends (direct consumer interviews with the consumer research department, news, social media, blogs, etc.). For topics where customers and/or consumers do not yet have a clear opinion on the right sustainability approach or did not yet come to a final decision (e.g., using recycling material vs biobased), the SBI team develops internal decision trees on how to reach the most sustainable product solutions according to scientific and expert data.

With the comprehensive information, we developed our set of sustainability KPIs in the areas of future sustainable texture development, the usage of wood, the reduction of virgin plastics in primary packaging and circular design principles, and the reduction of plastics for secondary packaging (see below). The Sustainable Business Innovation team is part of the R&D team and reports directly to the Head of R&D – while the Head of R&D is a direct report of the Schwan-Cosmetics CEO.

Regular bi-weekly meetings with the CEO, the R&D Head, and the Sustainable Business Innovation team assure the reporting of Sustainability KPIs and critical information flow to the top management. Moreover, the sustainability KPIs and the current most crucial activities and projects are reported and discussed by the Schwan-STABILO holding leadership team on a monthly basis.

SUSTAINABLE BUSINESS INNOVATION



The global production sites have a dotted reporting line to the SBI team. The Sustainable Business Innovation team is part of all regular R&D department meetings in the texture development department and packaging/material development department.

The new product development process is designed in a stage-gate logic. The SBI team is part of all important decision meetings. The task of the SBI team is to make sure, that we have the right activities, research, projects, and development roadmaps in place to meet our sustainability KPIs.

Product Development Targets

For the fiscal year 2020/2021 product targets were defined to transparently communicate and track the effort of sustainable product development at Schwan Cosmetics and to meet our customer’s needs for sustainability. Our sustainability objectives also serve to align every new product development towards common goals. With this approach, we will achieve our goal of transferring our existing product portfolio toward sustainable product solutions for the cosmetics market.



Packaging Development

In FY 2020/2021 we set our ambitious goal to reduce virgin fossil plastics by 25%, which required replacing a quarter of the overall quantity of plastic materials used for our primary packaging.

By integrating recycled and biobased materials in our value stream we intend to reduce the share of virgin fossil plastics. Recycled materials include post-consumer recycled (PCR), post-industrial recycled (PIR), and biobased materials. For the latter biobased feedstocks like sugarcane are converted to polyethylene (PE) or polylactic acid (PLA).

Several products manufactured from PCR plastics have been launched within this fiscal year. These products already have a higher content of virgin fossil plastics than 25 % today.

Overall, however, it can be seen that the transition to PCR materials is significantly more difficult to realize than originally assumed. The share of the above-mentioned products in total plastics consumption has so far reached only 1.2% for FY 2020/2021, which means that we are significantly short of our initial target. The main reason is shortages of the resin supplies, for this grade of materials, in which limited manufacturer capacities meet a significant increase in demand. We remain committed to our goal of offering product alternatives with reduced plastic content for our entire product portfolio by the end of calendar year 2024, providing our customers the opportunity to significantly improve their environmental product-end-of-life impact. With regards to the overall share of PCR plastics, it is however required to adjust our targets to now aim for a 5% share by the end of fiscal 2022/2023 and a 20% share by the end of fiscal 2024/2025.

MicroWoodMatic – Replacement of plastics with wood

Sustainably grown wood will help to support our strategy of manufacturing environmentally friendly packaging. Using virgin plastics is reduced by a sustainable alternative, suitable to reduce packaging waste and GHG-emissions. The MicroWoodMatic is the reconnection with Schwan Cosmetics` heritage of wood clenched pencil manufacturing by using 100 % FSC-certified cedar wood for the outer shell.



A basic beauty brow pencil that returns to its elemental origins and supports consumers that are drawn to products that remind them of nature through wooden components. By replacing the outer plastic shell with a wooden shell, the amount of plastic can be reduced by 39 % compared to the regular propel reel mechanisms.

PURIST – Replacement of virgin plastic with recycled material

For the product launched within the fiscal year 2021/2022 up to 79% of post-consumer recycled plastics have been integrated, replacing the same quantity of virgin fossil plastics.



To emphasize sustainability even more, a very reduced and clean design was chosen - Furthermore, hot foil stamping was excluded for the decoration of the product to keep the ecological footprint as low as possible.

Formula Development

Our sustainable product development is aligned with the Natural Origin Content (NOC) of our formulas. The NOC is a measure of the proportion of ingredients of natural origin in our formulations. It is determined from the Natural Origin Index (NOI) according to ISO 16128 of the individual ingredients.

The average Natural Origin Content of the entire product portfolio is the KPI against which we measure ourselves.

With an average NOC of 70% for the fiscal year 2021/2022 our target of 60% was significantly exceeded.

Fiscal Year	Target NOC [%]	Actual NOC [%]
2020-2021	–	64
2021-2022	60	70
2022-2023	72	–

Vegan

Developing vegan textures has become a must-have for new decorative cosmetic products at Schwan Cosmetics. The vast majority of the currently offered formulas have been redeveloped to be vegan, for two remaining “non-vegan” formulas out of a portfolio of 250, the redevelopment will be completed by the end of calendar year 2022. Our target of offering 100% vegan formulas by the end of 2022 will therefore be accomplished soon.

Formula Development

FAITH – Clean and vegan liquid liner

Consumers desire liquid pen eyeliners that combine performance with safe and clean ingredients. While the formula shall offer a smudge-proof and long-lasting application, the cosmetic composition must be natural and sustainable. The solution offered by Schwan Cosmetics is a water-based eyeliner formulation that is clean, and vegan but also stays in place all day for up to 16 hours and is waterproof.



The outstanding performance is achieved by a partly naturally derived and biodegradable film-forming agent which replaces a fossil-based synthetic film-former. Depending on the shade, the Natural Origin Content after ISO 16128 is up to 78 %.

FOCUS – Clean and vegan solid liner

With FOCUS high content of natural ingredients meets the best lining performance and a lastingness for up to 15 hours. Overall, the clean and vegan formula FOCUS contains up to 90 % Natural Origin Content and is available in a wide range of colors.

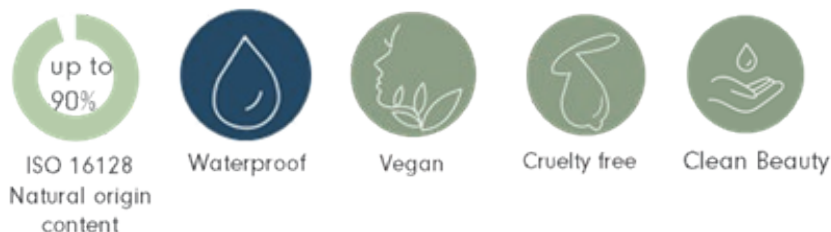


Figure 1 - Internal sustainability evaluation of FOCUS formulation at Schwan Cosmetics

Our customers can freely choose from natural flat to pearly shades with a rich color intensity without compromising on natural ingredients. The formula contains natural waxes and is formulated with a plant-based high-performance volatile oil. A natural emollient provides a smooth and soft-gliding application.



Memberships of Associations

SPICE

In September 2018 Schwan Cosmetics joined SPICE (SUSTAINABLE PACKAGING INITIATIVE FOR COSMETICS) as a corporate member. By participating in this initiative, Schwan Cosmetics confirms its commitment to sustainable development. The common goal of the members is to organize uniform packaging guidelines, direct packaging innovations, and make the current ecological account balance of products transparent for consumers. One of the latest achievements of SPICE is to present a publicly available ecodesign tool to measure and reduce the environmental footprint of cosmetics packaging.

EcoBeautyScore Consortium

In the fiscal year 2021/2022 Schwan Cosmetics joined the EcoBeautyScore Consortium. In the EcoBeautyScore consortium, a total of over 60 companies and trade associations from four continents share a vision of a more sustainable cosmetics industry. Together, we aim to empower consumers to make informed choices by developing an industry-wide rating and scoring system for the environmental performance of cosmetic products.



We believe that by joining forces, we can shape the future of the industry toward greater sustainability.

Sustainable solutions for secondary packaging

Following the Schwan cosmetics strategy to reduce the share of virgin fossil plastics in our packaging materials by 25%. Starting with Schwan Cosmetics, Germany, the main secondary packaging materials were analyzed in terms of their annual consumption, and alternatives were then developed, through which either plastic could be saved, or plastic could be replaced by PCR material.



PCR tray (styrofoam replacement)

Material	Total [tons] w/o saving	Total [tons] saving 2021/2022	Savings after 100% implementation	Method	Replacement Material
Polybags	20.32	6.96	6.96	Reduction	
Styrofoam trays	31.64	0	11.89	Replacement	PCR PET
Bubble wraps	1.56	0.47	0.47	Reduction	
Shrink foils	11.14	0	3.34	Replacement	PET
Sealing labels	1.69	1.52	1.52	Reduction	
Total [tons]	66.34	8.94	510		
Total Saving [%]		13	36		

As we actively involve our clients in the approval and implementation process of our latest secondary packaging developments, the measures could not be implemented in full within the reporting period. A 13% reduction could still be achieved for the end of FY 2021/2022 out of a theoretically achievable reduction of 36%.

Environmental Actions

Schwan Cosmetics, Germany

Since 2020 a project for the reduction of energy and water consumption, as well as the reduction of waste, was implemented.

All employees were asked to make suggestions that would be suitable for achieving the reduction target of 10% in each case.

A total of 54 suggestions had been filed of which 33 could be implemented. Until 6/2022 2 of 3 targets have already been significantly overachieved (water, energy), whereas waste reduction remains behind the targets set.

There are further measures still to be implemented which we believe will contribute to achieving the waste target.



Monthly Report on CG's „Energy and Resource Efficiency“ Action

Total waste / water / energy

Calendar Year	Water [m3]	Waste [tons]	Energy [MWh]
2020	18321	666	22037
2021	18053	663	22379
1-6/2022	10350	442	10979

Per unit waste / water / energy

Calendar Year	Water [liter/unit]	Waste [g/unit]	Energy [kWh/unit]
2020	0.109	3.95	0.131
2021	0.097	3.59	0.121
1-6/2022	0.090	3.84	0.095

Reduction to base Year

Calendar Year	Water [liter/unit]	Waste [g/unit]	Energy [kWh/unit]
2020 Base Year	0.00	0.00	0.00
2021	-11%	-9%	- 8%
1-6/2022	-17%	-3%	- 27%

Cosmetic Colors, Mexico

In July 2022 Cosmetic Colors in Toluca, Mexico put a solar power plant in operation. Forefront power a partner of Latin-American rainmakers (LAR) did install on the premises of Cosmetic Colors a total area of 930 sqm of solar panels. For the installation of the solar panels, the roof area of a warehouse building was used and existing parking areas for the company vehicles were sheltered. The solar plant has a capacity of 213 kWp (kiloWattpeak) and delivers an expected total annual amount of 343 MWh of electricity. The output of this „solar power plant“ will cover 47% of Cosmetic Colors’ daytime electricity needs.

At the same time, Cosmetic Colors achieves an annual emission saving of 151.4 tons of CO₂, which corresponds to the annual per capita CO₂ emission of 46 Mexican citizens. By this measure Cosmetic Colors is making the first, significant contribution to the decarbonization of their production



GOVERNANCE

Management Approach

Schwan Cosmetics is committed to respecting the highest standards of business conduct, fighting corruption in all its forms, both active and passive, and acting to prevent any potential violation of its business integrity. Schwan Cosmetics expresses its commitment to ensuring the respect of ethical values for our business conduct within our Corporate Code of Conduct. Together with our corporate values, it forms the foundation that we consider essential for our success. As lawful conduct beyond our corporate boundaries is important to us, we have also formulated our expectations of our business partners in a corresponding Supplier Code of Conduct (see chapter Sustainable sourcing).

The managing Directors of all entities of the Schwan Cosmetics Group create annual reports that are summarized and evaluated by the Global CSR Team.

Business Ethics Policy

By our Business Ethics Policy, we bring together our standards for working with employees and business partners, as well as the management processes for implementing them. We have set ourselves binding targets which we regularly review and publish in our CSR reports. In this way, we place business ethics at the center of our actions.

Compliance Management

The responsible functions of the company draw up policies and guidelines and are responsible for implementing corporate governance in their respective areas of responsibility, such as anti-corruption, antitrust law, money laundering, product compliance, occupational safety, fire protection, environmental protection, materials compliance, and labor and social law. They ensure that all departments and employees who are entrusted with or come into contact with the respective topics are informed and trained accordingly.

Policies and guidelines have been introduced in the company regarding:

- Environment, Health & Safety (EHS)
- Human Resources
- Information security
- Consumer Safety / Regulatory Affairs
- Sales activities
- Export control and customs
- Purchasing / Supplier surveillance
- Trademarks, patents, and intellectual property rights
- Information security
- Management of financial resources
- Handling of Reports of Irregularities (Whistleblowing System)

Local entities prepare annual Business Ethics Reports which include information on GRI Standard compliance as listed below:

FY 2021-2022	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Objective
GRI 205-2 Anti-corruption training	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
GRI 205-3 Incidents of Corruption	0	0	0	0	0	0	0	0	0	0
GRI 206-1 Anti-competitive behavior	0	0	0	0	0	0	0	0	0	0
GRI 415-1 Political Contributions	0	0	0	0	0	0	0	0	0	0
GRI 417-2 Product information	0	0	0	0	0	0	0	0	0	0
GRI 418-1 Customer privacy	0	0	0	0	0	0	0	0	0	0

Incidents of Discrimination

	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Objective
2018/2019	0	0	0	0	0	0	0	0	0	0
2019/2020	0	0	0	0	0	0	0	0	0	0
2020/2021	0	0	0	0	0	0	0	0	0	0

Non-compliance with environmental laws and regulations

FY 2021-2022	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Objective
GRI 307-1	0	0	0	0	1*	0	0	0	0	0

*) The entity was penalized for an incomplete manufacturing application to the approving authority regarding the activities performed and materials used (screen printing ink; screen printing machines). Approval has been granted in the meantime.

Corruption Risk-Assessment

As a first step towards an integrated Anti-Corruption-Management-System, we performed this year a comprehensive Risk-Assessment addressing all major issues like corruption, bribery, fraud, money laundering, and national/international trade offenses related to sanction listings. The assessment was conducted in cooperation with all departments and stakeholders under consideration of relevant factors as outlined in ISO 37001, sections 4.1 and 4.5 (see also Page 21; Risk-Management approach).

The evaluation of results confirmed a high level of awareness of all personnel and departments who get in touch with potential corruption risks and up-to-date policies and processes in place intended to minimize the risk of incidents. The current internal practice does however leave some space for further improvements about global alignment and an internal verification process which we intend to implement within the next business years. It is our objective to set up our Corruption Management System in such a way that it meets the requirements of ISO 37001. Information Security (Privacy Guideline).

Information Security

Management Approach

Under the impression of a continuously growing horizontal as well as vertical integration and networking of information systems in all business areas as well as with customers, information security and information integrity has an increasingly high priority for the entire company. To effectively meet these challenges and ensure that data is effectively protected at all times, our Global Digital Technology has developed and globally implemented extensive information security measures over the past years.

These included, among other things, regulations for:

- Global Information Security Guideline
- Information Security Guideline for employees
- Passcode Guideline
- Remote Access Agreement
- Minimum level Information Security Guideline
- Intranet Guideline for sharing documents
- Information Security Guideline for visitors
- Data retention Schedule
- Guideline for the Archiving of Documents

Information Security Risk Assessment

The effectiveness of the measures was assessed internally by means of an Information Risk Assessment. (See also Page 21; Risk-Management approach) and third-party verified by our Auditing Company Roedl&Partner.

Information Security Training Program

In FY 2021/2022 a global 20-modules Information Security Training program has been conducted which covers all elements of workplace-related information risks. These training sessions raised the expertise and awareness of all employees with access to our information systems with regard to workplace-related regulations and general dangers in dealing with electronic media and data exchange. Training success was verified by means of examination questions. The spreadsheet below shows the number of employees who were trained training hours invested.

Information Security Training Participation and Training hours

FY 2021-2022	CI/CK/CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Group
No. of Employees trained	877	111	30	244	86	119	57	1524
Total Training Hours	2631	340	92	747	208	364	174	4556

Complaints concerning breaches of customer privacy and losses of customer data

FY 2021-2022	CI (Germany)	CK (Germany)	CG (Germany)	C1 (USA)	C2 (China)	C3 (Czech)	C4 (Brazil)	CC (Mexico)	C5 (Colombia)	Objective
No. of complaints	0	0	0	0	0	0	0	0	0	0

Complaint Mechanism & Whistleblowing System

In the event of suspicion of possible misconduct, for example, a violation of applicable law or the Code of Conduct, employees, as well as business partners and other third parties, can submit a report to the external commissioners for the Whistleblowing System - also anonymously within the framework of the legal requirements. To this end, we set up a global whistleblower system in 2021 in line with the EU Whistleblower Directive, which is available in all countries in which we operate via the internet or email. The aim is to make reports easily accessible to the whistleblower, eliminating concerns about possible personal consequences. As in the past, employees continue to have the option of contacting their managers, the HR department, or other internally designated persons of trust directly.

Annual Whistleblower Report

FS-PP Berlin, the law firm entrusted with the receipt and processing of relevant information through the whistleblowing system of the entire Schwanhaeusser Group, creates an annual report on all activities on this issue. For the fiscal year 2021/2022, the report was prepared for the first time. A total of 3 reports were recorded, of which one (1) was considered sufficiently serious to require further action following internal analysis. The case was closed after the implementation of an appropriate measure.

The report is attached to this report as evidence of third-party verification.

General Statements and Affirmations

Statement on Political Contributions

In accordance with the requirements of the Schwanhaeuser Group Code of Conduct, none of the Schwan Cosmetics entities do any political contributions, neither financial nor non-financial. All MDs confirm compliance with this policy in the annually prepared Business Ethics Reports.

Statement on non-compliance with laws in the social and economic area

Within the reporting period no compliance issues with laws in the social and economic area have been filed.

Restatements of Information

GHG-emissions presented for scope 1,2 emissions in last year's report may differ to some extent from those presented in this report. This is due to the improvement in the calculations methodologies made for this report, which now complies with the highest internationally recognized accuracy standards (see also: methodological notes below).

Changes in reporting

There are no significant changes made from previous reporting periods, neither on the list of material topics nor on reporting boundaries.

GRI Standard	Disclosure	Description	Page	Omission
GRI102: General Disclosures				
Organizational Profile	102-1	Name of the organization	1, 18	
	102-2	Activities, brands, products, and services	6-8	
	102-3	Location of headquarters	8, 17	
	102-4	Location of operations	8, 17	
	102-5	Ownership and legal form	17	
	102-6	Markets served	6-8	
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*) Conf.: Sections are considered confidential due to owner's policies

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Environmental Compliance				
GRI 307	307-1	Non-compliance with environmental laws and regulations	71	
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GRI 308	308-1	new suppliers screened using environmental criteria	71	
	308-2	Negative environmental impacts in the supply chain	47	

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GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	11-13, 30	
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GRI 403 Occupational Health & Safety	403-1	Occupational health and safety management system	30	
	403-2	Hazard identification, risk assessment, and incident investigation	30	
	403-3	Occupational health services	26	
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GRI 416 Customer Health & Safety	416-1	Assessment of the health and safety impacts of product and service categories	33	
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GRI Standard	Disclosure	Description	Page	Omission
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GRI 400 Social Standards Series				
Human Rights Assessment				
Marketing & Labelling				
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GRI 418 Customer Privacy	418	complaints concerning breaches of customer privacy and losses of customer data	73	
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GRI 419 Socio-Economic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	74	

Methodological notes:

GHG-Emissions (scope 1, 2):

Verification according to ISO 14064-3:2019 was carried out using appropriate verification methods such as interviews, observations, control tests and analytical procedures; and leads to the conclusion, that the GHG statement is materially correct and is a fair representation of the GHG data and information, and is prepared in accordance with the following standard:

Greenhouse Gas Protocol /A Corporate Accounting and Reporting Standard. The certificate is attached to this report.

Emissions calculation / Emission intensity factors

All emissions of this report are determined by INDIRECT Emissions Calculation. The total consumption of energy is determined by invoices and reports of third parties according to their availability. In case no third-party receipts, protocols, or other evidence was available, local consumption reports have been prepared by the responsible personnel of the entities.

For the Calculation of actual emissions, emission-factors/GWP-factors for the separate calculation of the six GHGs (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆) in metric tons and in tons of CO₂ equivalent, reliable actual and trustworthy sources are to be used.

Energy

The selection of emission factors for the calculation of energy emissions was made in accordance with the recommendations of the GHG Protocol, depending on the availability of trustworthy and recognized data sources in the following order:

- a.) supplier data
- b.) locally available data (location, region)
- c.) country-specific
- d.) international
- e.) default values IPCC5

Direct fugitive emissions / Refrigerants

Default values for the GWP of refrigerants given by IPCC5 have been used. The date for the loss of refrigerants have been taken from maintenance protocols or robust assumption on the annual loss have been made.

Mobile combustion

Emission was determined based on the total consumption of diesel and gasoline provided by the leasing partner for the car fleet. Alternatively, local reports (vehicle size/milage) have been prepared by the responsible personnel of the entities.

For the calculation of the emission, intensity factors provided by <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021/> was used.

Accidents

The injury rate is the rate between the total number of injuries with absences exceeding three days, including the injuries as a result of commuting incidents. A high-consequence work-related injuries (excluding fatalities) rate has not been defined for the Organization why no data was available for this report.

Contact:

If you have questions about this report, please contact:

Hans Kühn

Vice President Global Quality Assurance & CSR

E-mail: Hans.Kuehn@schwancosmetics.com



Appendix:

Appendix 1: Sources for a share of renewable sources
CG/-Cl: Schwan Cosmetics GHG-Emissions report 2021-2022
CK: Schwan Cosmetics GHG-Emissions report 2021-2022
C1 Sustainability Report (tva.com) (16%)
C2: CT2021China.pdf (climate-transparency.org) (29%)
C3: Schwan Cosmetics GHG-Emissions report 2021-2022
C4: Schwan Cosmetics GHG-Emissions report 2021-2022
C5: Colombia-CT-2020.pdf (climate-transparency.org) (73%)
CC: CT2021Mexico.pdf (climate-transparency.org) 21%

Appendix 2: GHG -Verification Certificate

Appendix 3: Whistleblowing Report



Verification Statement

This is to certify that

Schwan STABILO Cosmetics GmbH & Co. KG

Schwanweg 1
90562 Heroldsberg
Germany

with the organizational units/sites as listed in the annex

has made a statement on greenhouse gases in accordance with the criteria and the defined materiality for which it is responsible.

Scope:

GHG emissions have been aggregated under the control approach with the following emission categories and quantities:

CO₂ N₂O CH₄ NF₃ HFCs PCFs SF₆

Scope 1: 4.720,7 t CO₂e, Scope 2: 4.919,1 t CO₂e

Verification according to ISO 14064-3:2019 was carried out using appropriate verification methods such as interviews, observations, control tests and analytical procedures; and leads to the conclusion, that the GHG statement is materially correct and is a fair representation of the GHG data and information, and is prepared in accordance with the following standard:

Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard

Registration no. 31612332 GHG
Reporting period 2021-07-01 – 2022-06-30
Date of verification 2023-01-30



DQS GmbH

Markus Bleher
Managing Director



Accredited Body: DQS GmbH, August-Schanz-Straße 21, 60433 Frankfurt am Main, Germany

**THE VERIFICATION ACTIVITIES APPLIED IN A LIMITED LEVEL OF ASSURANCE VERIFICATION ARE LESS EXTENSIVE IN NATURE, TIMING AND EXTENT THAN IN A REASONABLE LEVEL OF ASSURANCE VERIFICATION.*

The validity of this certificate can only be verified by the QR-code.



**Annex to verification statement
Registration no. 31612332 GHG**

Schwan STABILO Cosmetics GmbH & Co. KG

Schwanweg 1
90562 Heroldsberg
Germany

Location	Scope
31616294 Schwan Cosmetics International GmbH Schwanweg 1 90562 Heroldsberg Germany	Scope 1 & 2
31616188 Schwan Cosmetics Kunststofftechnik GmbH & Co. KG Augsburger Straße 52 91781 Weißenburg Germany	Scope 1 & 2
31616292 Schwan Cosmetics Germany GmbH & Co. KG Schwanweg 1 90562 Heroldsberg Germany	Scope 1 & 2
31616189 Tianjin Schwan Cosmetics Co. LTD Tianjin Jinnan Economic Development Area (Shuanggang) 300 350 Tianjin China	Scope 1 & 2
31616190 Schwan Cosmetics USA Inc. 3202 Elam Farms Parkway Murfreesboro Tennessee 37127 USA	Scope 1 & 2



**Annex to verification statement
Registration no. 31612332 GHG**

Schwan STABILO Cosmetics GmbH & Co. KG

Schwanweg 1
90562 Heroldsberg
Germany

Location	Scope
31616191 Schwan Cosmetics CR s.r.o. Průmyslová 176 38101 Český Krumlov Czech Republic	Scope 1 & 2
31616192 Schwan Cosmetics do Brasil Ltda. Av. Torres, 1500 CEP 83040-300 Sao José dos Pinhais Brazil	Scope 1 & 2
31616193 Creative Colors S.A. Carrera 106 No. 15-25 Bodega 26, Manzana 7 Zona Franca de Bogotá - A.A. 151040, Bogotá Columbia	Scope 1 & 2
31616194 Cosmetic Colors S.A. de C.V. Miguel Alemán Valdes km. 2.1 Col. Reforma San Pedro Totoltepec C.P. 50226 Toluca Mexico	Scope 1 & 2

21.01.2023

Schwanhäußer Industrie Holding GmbH & Co. KG
Whistleblowing system for Schwan-STABILO group of
companies (460.21)
Activity Report Financial Year 01.07.2021 to 30.06.2022

- I. General
- II. Installation and communication of the whistleblowing system
- III. Ways of Communication
- IV. Data Protection
- V. Act on the Protection of Whistleblowers
- VI. Whistleblowing notices
- VII. Other notices
- VIII. Advice
- IX. Trainings
- X. Concluding remarks

I. General

Schwanhäußer Industrie Holding GmbH & Co. KG and FS-PP Berlin concluded a legal advice and agency agreement dated 9th and 22nd of April 2020, based on which FS-PP Berlin has since been implementing the group-wide whistleblowing system for the confidential receipt and processing of information on legal and regulatory violations for the companies of the Schwan-STABILO Group.

The confidentiality of the identity of whistleblowers is guaranteed within the legal limits by contractually agreed lawyer's duty of confidentiality and secure data management, as well as by the BKMS system, which enables technically untraceable reports and communication.

This summary activity report relates to the financial year from 1 July 2021 to 30 June 2022 of Schwanhäußer Industrie Holding GmbH & Co. KG.

II. Installation and communication of the whistleblowing system

The whistleblower system has been implemented globally for the Schwan-STABILO group. The initial list of included group companies dated 27 November and 1st of December 2020 has meanwhile been updated and now comprises all controlled subsidiaries of the Schwan-STABILO group (see Annex).

The system is extended to the Group companies by including them in the scope of services of the mandate agreement with FS-PP Berlin through agreements between the client and the group companies.

The whistleblower system is communicated internally by the client and externally via the FS-PP Berlin website.

III. Ways of Communication

The contact person for whistleblowers is attorney at law Dr. Rainer Frank.

The tasks of the female contact person have been taken over by attorney at law Sophia Hoffmeister due to parental leave of attorney at law Dr. Lo Re.

FS-PP Berlin has set up a client-specific telephone number and a client-specific e-mail address for whistleblowers.

In February 2021, the communication channels of the whistleblower system were expanded to include the Business Keeper Monitoring System (BKMS system) and made available internationally in German, English and Spanish.

IV. Data protection

Within the responsibility of FS-PP Berlin the whistleblower system complies with the requirements of data protection law.

A specific data protection declaration for the whistleblower system is linked via the client-specific page on FS-PP.de.

There is an agreement on data processing with Business Keeper GmbH. A separate data protection declaration for this system is published on the BKMS system.

FS-PP Berlin reports exclusively to the client's compliance function. This also applies to reports from the group companies. Any responsibility for regulations on joint responsibility for data processing as legal basis for the transfer of personal data within the group rests with the client.

V. Act on the Protection of Whistleblowers

At the time of this report, the law on the protection of whistleblowers has been passed in the German Bundestag. Its implementation is the responsibility of the client.

In the terminology of the law of the protection of whistleblowers, the services of FS-PP Berlin represent an external reporting channel to the internal reporting office of the client.

VI. Whistleblowing notices

In the reporting period, no notices or contacts were made via the communication channels telephone, fax or e-mail.

Notices transmitted through the BKMS system were initially system tests to check the functionality of the page published in Spanish.

Thereafter three notices were received via the BKMS system during the reporting period, which prompted further processing.

All of the notices received could be allocated to the **sub-division Cosmetics**.

H 2021-01 (10.2021): Two notices in the BKMS system, one via the English side, one via the Spanish side, language: both Portuguese. Both notices addressed bad management behavior by a manager with operational responsibilities in Schwan Cosmetics do Brasil Ltda.. However, both notices did not indicate any specific violations of law.

Both notices were nevertheless classified as relevant for further action. Confirmation of receipt was sent via the BKMS mailbox. Upon reporting to the compliance function in Germany, the case was processed there. Following further investigation, the notice was considered well-founded and resulted in action against the relevant management person who as a result left the function. A final report was sent to the whistleblowers via the BKMS mailbox at the end of November 2021.

H 2021-02 (11.2021): Prior to the closure notification in case H 2021-01, another notice was received in the BKMS system at the beginning of November 2021, which recognizably related to the same facts and was included in the case processing.

VII. Further notices

During the reporting period, I received one notice in June 2022 that did not indicate a violation of law nor any other form of relevant misconduct:

Notification that a personal relationship exists between two employees without reference to a violation of law or regulation.
Country of origin of the notification: Brazil.

VIII. Advice

No further advice in any other compliance related matter has been given during the reporting period.

IX. Training

Trainings on the use of the whistleblowing system has been provided internally by the client. Similarly, other training measures on various compliance issues has been dealt with internally by the client and provided by the internal compliance functions.

X. Closing remarks

In the course of my work, I have not become aware of any facts that would require further actions to ensure compliance within the Schwan-STABILO group.

A handwritten signature in blue ink, appearing to read 'Frank', written in a cursive style.

Dr. Frank
Rechtsanwalt