FARMODERM
LABORATORI FARMODERMATOLOGICI
MILANO

Together Towards a Sustainable Future

Our Commitments

Ed. 2 – June 2023

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Each year, more than eight million tons of plastic end up in the oceans, endangering marine biodiversity, polluting our environment, and putting everyone's health at risk. At the same time, climate change — caused by mankind's greenhouse gas emissions — represents a very real threat to our planet and to our own lives, and it's already ravaging the world. Almost everyone agrees "global action is more necessary than ever to limit our environmental and social impact and start the journey towards a sustainable future".

In this context, the beauty industry has a considerable role to play.

Farmoderm' s initiative towards environmental issues starts here.

"Our vision for 2030"

This is the moment to choose what type of world we want for tomorrow, for our children and generations to come.

Our 2030 commitments mark a crucial new stage in rising to the challenges facing our planet.

Considering our position as undisputed Italian leader of dermatological excellence, especially in the elderly skincare segment, Farmoderm' s contribution can be nothing but major.

Since October 2020, we joined the United Nations Race to Zero through the SME Climate Hub: a commitment to reduce our CO2 emissions in the coming years and to offset the remaining emissions.

Certainly, Farmoderm' s attention and commitment to environmental issues has always been, even if quietly, a standard proposed to consumers. They have been involved, sometimes unknowingly, in saving plastic and reusing packaging. The road ahead is still long, but the direction is clear to us and in this first report we want to give you a short overview of what the team has done so far, and our projects for a more sustainable future.

Farmoderm is constantly growing. Therefore, we are committed to periodically reviewing, supplementing or modifying our roadmap and objectives based on real business scenarios and regularly reporting on our progress against each objective, with clear and transparent indicators. We will not wait to be perfect to share our efforts and progress: immediate action is needed. Through this in-depth transformation, we hope to be a catalyst of change in our own category and beyond, to inspire our stakeholders and all people to take action with us.

GUIDO FILEPPO
Chief Executive Officer
Farmoderm Srl

A strategy built on three pillars

To define Farmoderm' s next steps in sustainability,
an expert team has been working since October 2020, coordinating independent studies and working with outside partners. The outcome is a strategy with measurable, time-bound impact reduction targets that will guide our internal transformation, that of our customers and stakeholders, and our contribution to urgent environmental needs.

1

REDUCE CO2 EMISSIONS

Our decarbonization Roadmap gives us clarity on where to focus and helps set our trajectory towards a net zero emissions future. It's a dynamic process which underscores the importance of energy system transformation, breakthrough technologies and collaboration to further illuminate the path from 2030 to 2050.

2

SUSTAINABLE PACKAGING

Nowadays, the packaging world is flooded with misinformation.
We are constantly analyzing alternative options that fit our business and our environmental pledge.
Our objective is to obtain sustainable packaging. We are working to use only recycled plastic.
Meanwhile we are reducing single use plastics, through innovative delivery and use of our products.
We will not condone greenwashing.

3

IMPROVE QUALITY OF LIFE

We have long been committed to making a positive contribution to society. We have dedicated more than 30 years finding the best skincare solutions for the most fragile population and their carers. The time has come to accelerate our efforts.
We want to demonstrate that we can be part of the solution to the challenges the world is facing and, to do so, we are financing certified climate action projects that have a direct impact on quality of life.


The future of our planet is the result of the good choices that every human being, every company and every government makes every day. We are confident that the seeds that today we are beginning to sow will bear fruit in a more sustainable future.

Reduce CO2 Emissions

Our overarching climate change objective for 2025 is to reduce by 50% the greenhouse emissions (scope 1 and scope 2).

One year after our first analyses, we note that the scenario for our Scope 1 and Scope 2 emissions has changed considerably as a result of the reorganization of the corporate structure. Farmoderm has in fact internalized the sales force in 2022. Therefore, the projection for actual Scope 1 and Scope 2 emissions has been reassessed. At the same time, the company's growth also accelerated strongly. Below in detail we report for completeness the first evaluation and the updated one taking into account the two factors described above.

EVALUATION 2021

Emissions/Turnover Projection	2021	With no actions	With Action (Target)
Turnover (€/1000)	**5,690**	**9,527**	**9,527**
Scope 1 (t CO2)	10.33	17.25	8.63
Scope 2 (t CO2)	1.6	2.59	1.29

EVALUATION 2022

Emissions/Turnover Projection	2021	With no actions	With Action (Target)
Turnover (€/1000)	**7,097**	**10,571**	**10,571**
Scope 1 (t CO2)	33.21*	49.47	24.73
Scope 2 (t CO2)	11.32**	2.38	1.19

* Increase in emissions value due to internalization of the sales force
**Increase only on the year 2022 due to lack of availability of certified green energy

Our Decarbonization Roadmap is currently scoped for projects occurring in the next five years. In the coming years it will be extended to 2030 and then beyond as new project ideas are developed and new insights and technologies become available.

We have committed to achieve **carbon neutrality in our headquarter by 2025**, by improving energy efficiency and using 100% renewable energy, by using electric cars powered by renewable energy, by moving all document management to net zero cloud providers and dismantle the corporate servers.

By 2030, we will reduce by 50% on average and per finished product, the **greenhouse gas emissions linked to the transport of our products**, selecting shipping companies that attest full CO2 compensation or use electric vehicles.

By 2030, we will select only strategic suppliers that attest their Net Zero emissions. Meanwhile **from 2023** we will ask our suppliers for clear data on their footprint and from 2025 we will buy only from those who use renewable energy.

By 2030, we will innovate to enable our consumers to reduce the greenhouse gas emissions resulting from the use of our products. The aim is to educate customers, through tutorials and informative material published on our website, to refill our bottles or reuse our glass jars.

WHERE WE ARE

LOWER CO2 EMISSIONS THANKS TO REDUCED BOTTLE WEIGHT*

*Based on CO2 emission values due to procurement, refining and production of each kg of plastic.

2021: - 7517 kg di CO2 (-7,5 t CO2)
2022: - 10000 kg di CO2 (-10 t CO2)

These values reflect the increase in Farmoderm' s turnover and the increased number of bottles placed on the market.

UNAVOIDABLE RESIDUAL EMISSIONS COMPENSATION

All unavoidable residual emissions are offset by funding from High Social Impact and Climate Change Funds (Pillar 3).

Sustainable Packaging

As a cosmetic company, it is our duty to protect and promote the environment following the sustainable and recyclable principles in product development.

Our commitment **by 2030** is to use 100% recyclable and reusable packaging.

WHERE WE ARE

PROMOTION OF SUSTAINABLE FOREST MANAGEMENT

In 2021 we chose to use a PEFC™ certified wooden cap for our Ophir Milano line.

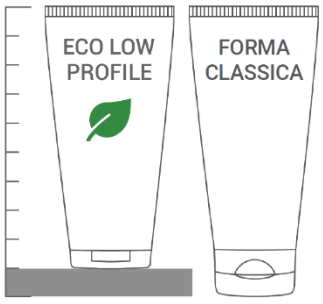
From 2021 we have eliminated the paper leaflet inside our boxes introducing the use of QRcodes and all our boxes are PEFC™ certified

PROTECTION OF THE MARINE ENVIRONMENT

Our wet wipe BIODERM SALVIETTA DERMODETERGENTE is now made with a 100% natural fabric composed of biodegradable and compostable fibers so as not to interfere with the already seriously compromised marine environment. **By 2023** all our disposable wipes will be made with the same fabric.

REDUCTION OF PLASTIC EMISSIONS INTO THE ENVIRONMENT

Waiting to develop a plastic-free packaging, **from 2021** we have reduced the average weight of our bottles by 12%, guaranteeing the same quality and ease of use.



Similarly, in the design of the new Farmoderm Line dedicated to the European market and the new Farmoderm Bébé Line we have selected a new low-profile mono-material tube that is 20% lighter than standard tubes.

From 2023 we plan to package our other creams in low-profile mono-material tubes.

We have always suggested to our customers to use reusable professional dispensers instead of disposable dispensers. This choice allows a reduction of 40 tons of plastic into the environment every year.

RECYCLING AND REUSE

For the Ophir Milano Line **in 2021** we have chosen to use a glass jar, easy to be separated for waste collection, but also infinitely reusable.

To facilitate the plastic recycling process **in 2022** we have introduced the use of mono-material packaging for our wet wipes BIODERM SALVIETTA DERMODETERGENTE and **from 2023** all our disposable wipes will have the same type of packaging.

In 2022 we started to evaluate the possibility of offering our customers the REFILL of our bottles. The project is currently not feasible in the B2B market as we are assessing the environmental impact of the operational management of this process. To date, we believe that the project can be started in the B2C market through the proposal of bags for the refill of our bottles.

Improve Quality of life

The certified climate action projects we have decided to support to offset our unavoidable residual emissions are Gold Standard certified and offer measurable benefits to create healthy ecosystems, thriving communities and thriving economies.

In calculating the unavoidable residual emissions to be offset, we implement an over-compensation mechanism with three specific objectives:

- mitigate risks related to carbon projects
- mitigate uncertainties in carbon footprint calculations
- partially offset Scope 3 CO2 emissions (including in the calculation not only our headquarters, production, storage and distribution facilities, but also the raw material supply chain and indirect impacts associated with the use of our products by end consumers).

In fact, we believe that, given the capacity, everyone should contribute to removing more CO2 from the atmosphere than it emits.

To date we have supported the following projects:

WATER IS LIFE (MADAGASCAR)

In the period 09/10/2020-30/08/2021 the project contributed to reducing 2,251 tCO2e. The villages involved are Betsingilo and Ambolofoty near Toliara in southern Madagascar. The project uses 5 manual pump wells (3 in Betsingilo and 2 in Ambolofoty). About 1,500 people are involved. Each well currently provides about 14,400 liters of clean water per day.

IMPROVED KITCHEN REGIMES MUSENYI (BUGESERA - RWANDA)

In the period 2020-2021 (last monitoring) the project helped reduce 2,012 tCO2. The stoves delivered are 1468 (one per family), for a total of about 6,300 beneficiaries. The project has saved the use of about 2,900 kg of wood with a reduction in the time of air pollution inside homes by 9%.

The new projects we have decided to support involve some local communities in Vietnam and Mozambique.

Bach Lieu Wind Farm Project

Harnessing coastal wind to power Vietnam with clean energy

Vietnam has experienced a rapid increase in electricity demand generated by economic growth over the past two decades. However, with demand exceeding current supply, electricity shortages and increasingly regular power outages are negatively affecting the local economy and livelihoods.

The Solution

The Bac Lieu wind farm includes 62 wind turbines installed in two phases, each with a capacity of 1.6 MW, for a total installed capacity of 99.2 MW. The project generates on average around 327,826 MWh of clean electricity per year, which is fed into the national grid. It helps bridge the gap between electricity supply and demand and is an important investment in Vietnam's renewable energy procurement strategy.

The Impact

The Bac Lieu project has created over 100 stable jobs for the operation of the wind farm and supports the local community by funding social activities such as sporting and cultural events. The project also contributes to charitable funds such as the Fund for the Poor and the Fund for Farmers, which improve services in the surrounding areas, and tree planting activities promote regional biodiversity. The success of the project helps to boost the provincial economy of Bac Lieus, as it will pay an annual tax to the local and state budget. It also paves the way for similar wind projects in the region, and the construction of an enhanced power transmission line reduces electricity losses and improves local electricity supply.

This project offsets our unavoidable residual emissions from 2022 for 150 tons of CO2 (22.65 tons Scope 1&2 + 127.35 tons Scope 3).

Improved stove
in the city of Maputo, Mozambique

Improving energy efficiency, conserving natural resources and improving the living conditions of the local population

A large population in Maputo, the capital of Mozambique, lives in poor housing and sanitation conditions due to lack of basic services. 95% of the population living in Chamanculo C district uses stoves, which are energy efficient and require high amounts of charcoal for daily cooking activities. The use of coal has negative health impacts related to smoke inhalation as well as causing economic pressure for families. The use of coal has negative health impacts related to smoke inhalation as well as causing economic pressure for families. Charcoal production is also a major cause of deforestation.

The Solution

The project "Improved cookstoves in Chamanculo C, Maputo" started in March 2014 and has an operational duration of 7 years. It provides for the distribution of about 5,000 fuel-efficient domestic stoves to households inside Chamanculo C. The aim of the project is to improve energy efficiency, conserve natural resources and improve the living conditions of the local population.
Designed distributed Envirofit CH-2200 cookers can reduce coal consumption by 50% compared to traditional stoves. The stoves will be sold to households at a very low cost, in exchange for the rights to Voluntary Emission Reductions (VER).

The Impact

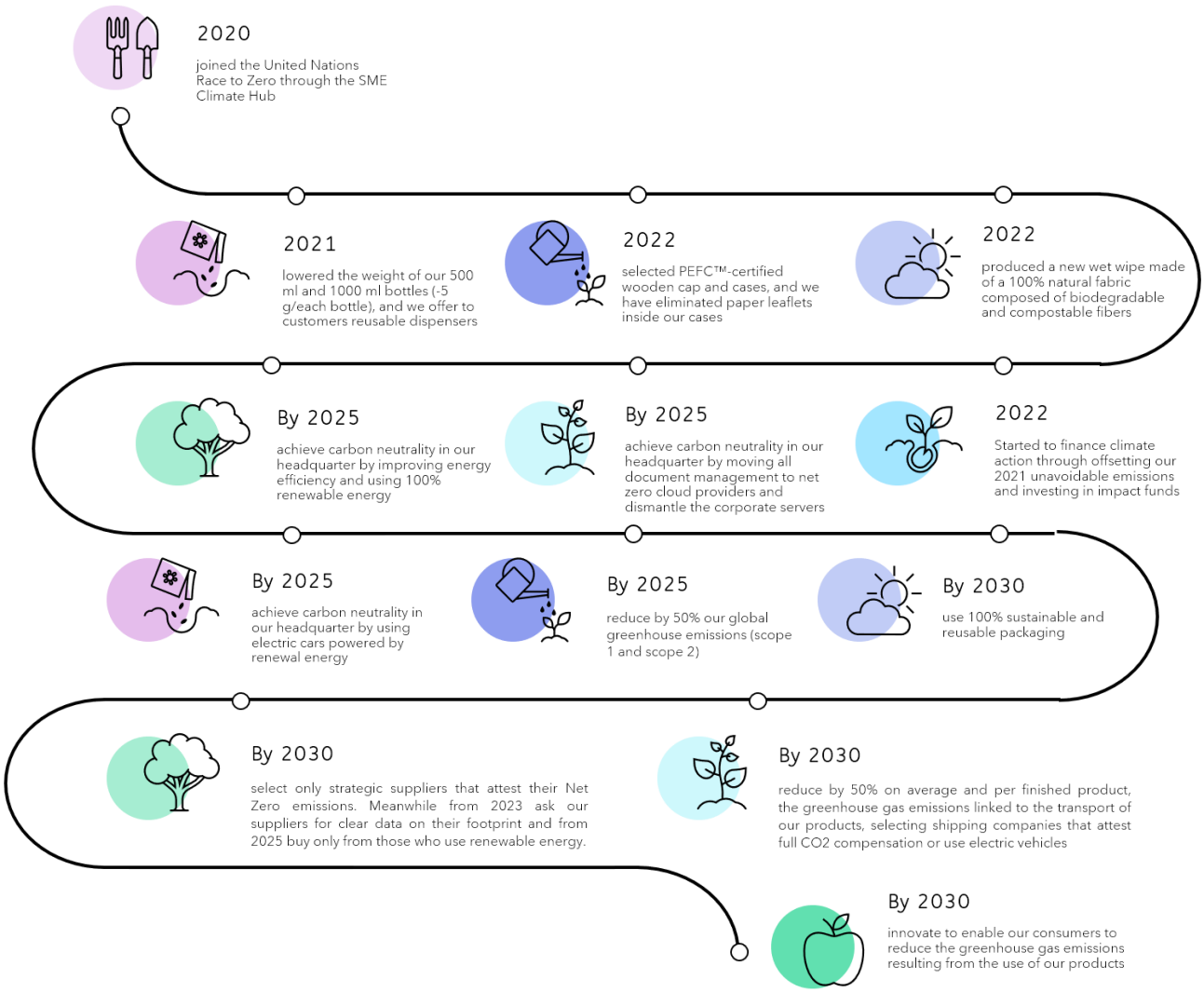
In addition to reducing greenhouse gas (GHG) emissions, contributing to climate change mitigation, the project provides the following local benefits:

- Up to 50% savings on coal consumed for cooking
- Up to $190 per year savings for local families in charcoal needed for cooking
- Reduction of adverse health effects associated with smoke inhalation
- Reduced cooking time, allowing you to spend more time on other activities
- Reduce deforestation and forest degradation as less wood will be needed for charcoal production

This project offsets our unavoidable residual emissions from 2022 for 150 tons of CO2 (22.65 tons Scope 1&2 + 127.35 tons Scope 3).

Gold Standard®

Farmoderm' s journey towards a Sustainable Future



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