# ARCADE BEAUTY

## A CENTURY OF DISCOVERIES

# SUSTAINABILITY REPORT

## JUNE 2021

**Peter Lennox, President & CEO**

Sustainability, has now become a fundamental part of our strategy.

In 2021, we will establish a common global company vision and plan to involve all of our employees in this program.

Arcade Beauty takes our role in protecting our environment and promoting a sustainable future seriously. Establishing ourselves as a leader in sustainable product development as well as protecting our environment through ethical practices and employee involvement will be at the foundation of our effort.

**Carl Allain, SVP, General Manager EU**

**In charge of deploying the CSR strategy globally for Arcade Beauty**

In 2017, we decided to launch our CSR policy based on 4 pillars: Eco-design, Responsible Purchasing, Operational Excellence and Employee Involvement.

In 2021, we want to go further: establish a detailed roadmap of our commitment to a sustainable and responsible development by involving all our employees and set ambitious goals for the coming years.

This policy offers us new opportunities for growth and enables us to meet our clients' expectations in the 3 areas of our strategy: samples, retails and digital.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# COVID DISCLAIMER

## The pandemic has accelerated the need for sustainability

### Consumers

- Fear of epidemic risk, requirement for health security: hand care is the new self-care
- Hyper consumption post crisis
- Price accessibility due to economic crisis
- Increase of E-Life, break with old habits (buying, learning, socializing, etc.)

### Channel

- Intensified decrease of in-store traffic post-crisis
- Transfer from stand-alone beauty retailers to multi category (all in one trip!)
- E-commerce booming
- Travel retail declining (temporarily)
- Print media decline continuing

### Sustainability

- Sustainable packaging against demand for shelf-stable and long-lived products
- Eco-responsible approach
- Product transparency, back to naturality
- Trend of do-it-yourself, bio-beauty, beauty-on-hand, beauty at-home

### Brands

- Connecting with consumers (virtual community)
- Supply chain simplification: review of production footprint
- Increased competition, consolidation
- Risk of internalization (mainly in Fragrance)

## Arcade Beauty Key Learnings

The pandemic has accelerated the transformations underway and reinforced our strategy based on 3 major initiatives:

1. **The New Retail Experience** as contactless sampling becomes increasingly important
2. **Mini / Saleable Products** leveraging trend towards E-Com sales and "buy & try" at lower price points
3. **Digital Sampling** allowing brands to target high value consumers

**The market is looking for sustainable solutions** for all our products which we are in a great position to advance and benefit from. This is our biggest challenge as a company but also a great opportunity.

**Our Values of Integrity, Client Focus, Teamwork and Accountability** continue to remain the foundation of Arcade Beauty.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# CONTENTS

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# PRESENTATION OF THE GROUP



Arcade Beauty US zone

Arcade Beauty LatAm zone

Arcade Beauty Europe zone

Arcade Beauty Asia zone

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 1.1 KEY FIGURES

Arcade Beauty has a broad international sale and manufacturing footprint to support global brands. Arcade Beauty is the largest sampling partner globally for the beauty industry. The Group is established in North America, Europe, South America and Asia.

**13**
production sites

**3,300+**
million units produced

**4.3**
frequency rate of accidents with time off work - WW

**100%**
Sites certified :
Printing - ISO9001
Filling – GMP or ISO22716

**2,110**
employees (in FTE)

**33**
technologies

**5**
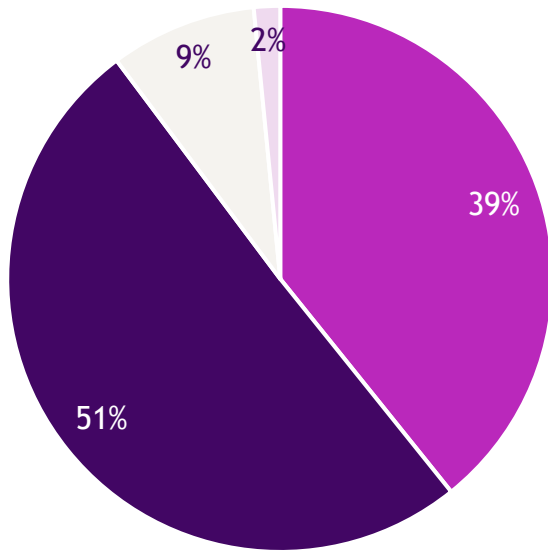Number of sites having Zero Lost Time Accidents for more than 1 year
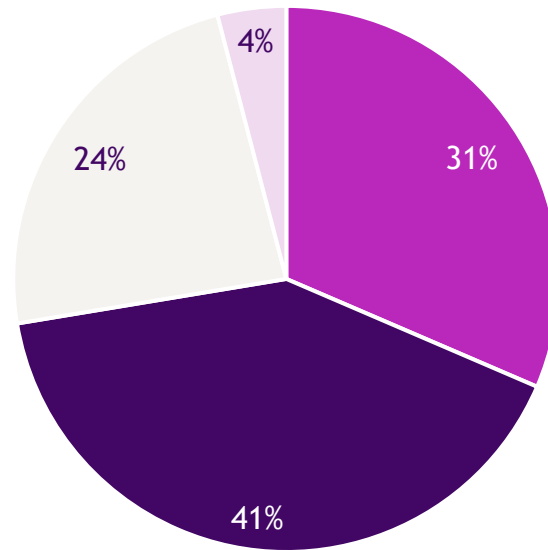
**97.6 %**
First Pass Yield

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 1.1 KEY FIGURES

## Regional Sales Composition



39% North America
51% Europe
9% LATAM
2% Asia

## Regional Headcount Composition (of FTE)



31% North America
41% Europe
24% LATAM
4% Asia

**Legend:** ■ North America  ■ Europe  ▪ LATAM  ■ Asia

## Regional Comparison

- Regional manufacturing capabilities enable clients to locally source from Arcade Beauty.

- Both US and Europe have separation of their Cosmetic and Fragrance operations.

- Serve multi-national prestige beauty brands mainly with US and European divisions.

- While large global brands have centralized sourcing in Europe, capabilities remain in the US to serve these clients locally.

- US business is more reliant on the retail ("brick and mortar") market and has been heavily impacted recently by the decline in its printing operations due to the reduction in magazine and catalog circulation.

*This report and all data included in the report cover Arcade Beauty's operation in Europe and North America, which represents 70% of the Group total activity in terms of headcount and number of production sites. Unless stated otherwise, all data is reported for the year 2020.*
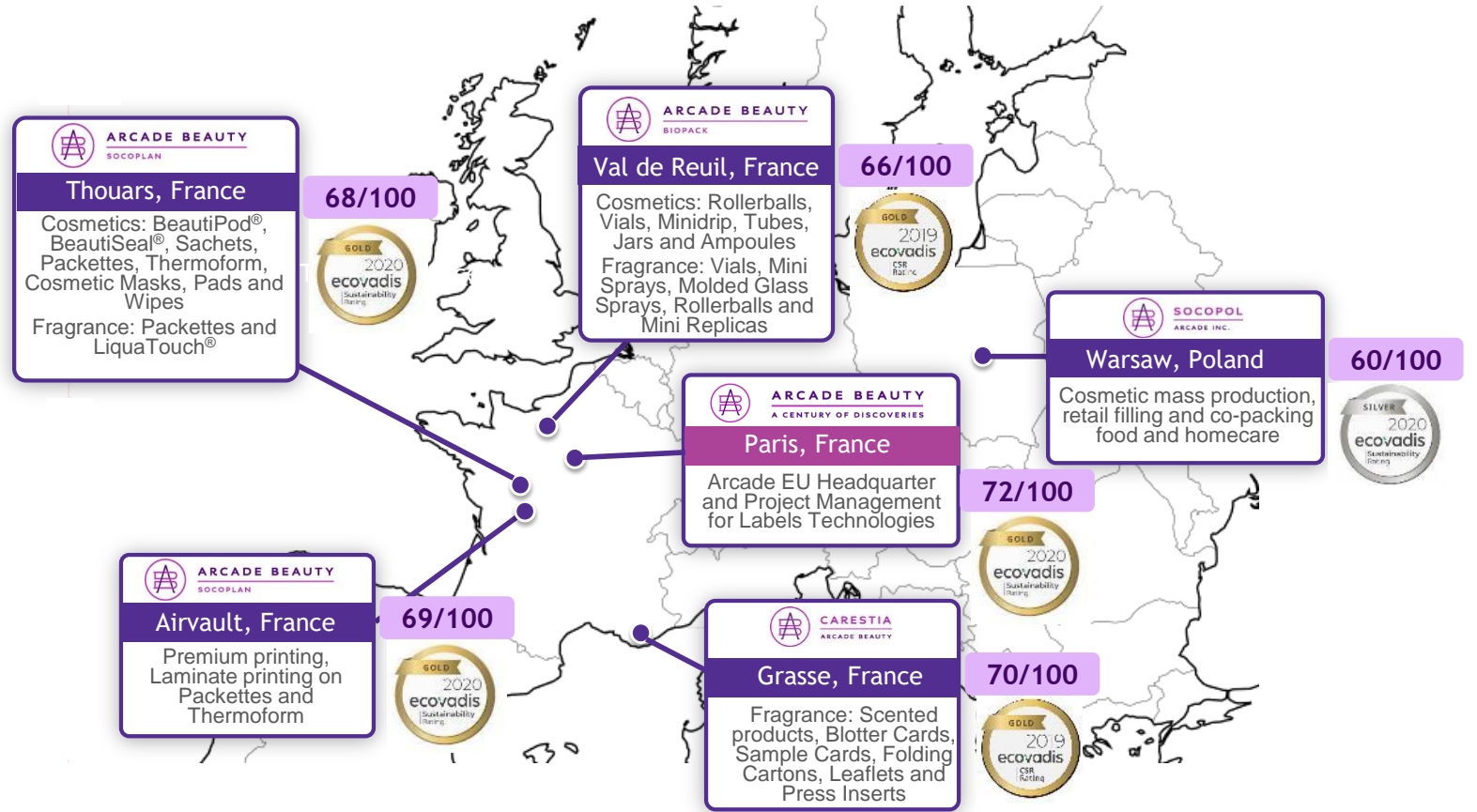
**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# Europe Operations

5 production sites

864 employees, in Full-Time Equivalent

1,200+ millions of units produced

CDP CLIMATE

B- *

**ARCADE BEAUTY SOCOPLAN**
**Thouars, France** 68/100
Cosmetics: BeautiPod®, BeautiSeal®, Sachets, Packettes, Thermoform, Cosmetic Masks, Pads and Wipes
Fragrance: Packettes and LiquaTouch®

**ARCADE BEAUTY BIOPACK**
**Val de Reuil, France** 66/100
Cosmetics: Rollerballs, Vials, Minidrip, Tubes, Jars and Ampoules
Fragrance: Vials, Mini Sprays, Molded Glass Sprays, Rollerballs and Mini Replicas

**ARCADE BEAUTY A CENTURY OF DISCOVERIES**
**Paris, France**
Arcade EU Headquarter and Project Management for Labels Technologies

**SOCOPOL ARCADE INC.**
**Warsaw, Poland** 60/100
Cosmetic mass production, retail filling and co-packing food and homecare

**ARCADE BEAUTY SOCOPLAN**
**Airvault, France** 69/100
Premium printing, Laminate printing on Packettes and Thermoform

**CARESTIA ARCADE BEAUTY**
**Grasse, France** 70/100
Fragrance: Scented products, Blotter Cards, Sample Cards, Folding Cartons, Leaflets and Press Inserts

72/100

**ARCADE BEAUTY A CENTURY OF DISCOVERIES**

# North America Operations

5 production sites

664 employees, in Full-Time Equivalent

1,600+ millions of units produced

**ARCADE BEAUTY**

**Dayton, NJ**

Fragrance: Vials, Spray Pens, Rollerballs, Packettes, Full Size and Mini Retail Items. Filling & assembly, blending & bulk color matching.

47/100

**DIXON DIRECT** ARCADE INC.

**Dixon, IL**

ScentStrip® and direct mail

**PHOENIX GLASS** ARCADE INC.

**Pittsgrove, NJ**

Vial manufacturing and decorating services

**ARCADE BEAUTY**

**Headquarters**

Global Leadership & Corporate Office

NA Sales & Marketing

**ARCADE BEAUTY** LE PAPILLON

**South Plainfield, NJ**

61/100

Cosmetics: Packettes, Thermoform, Tubes, Mini Mascara and Sampling Stix

**ARCADE BEAUTY** CHATTANOOGA

**Chattanooga, TN**

48/100

Cosmetics: BeautiPod®, BeautiSeal®, ShadeSeal®, LipSeal®, Kiss-A-Peel® and LiquaTouch®

Fragrance: ScentSeal®, LiquaTouch®, DiscCover®, DiscCover® More and Microfragrance® Active Release

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

*See Appendix for more information on EcoVadis and CDP*

# 1.2 VALUE CHAIN

| Innovation & Sales | Manufacturing | Logistics | Filling & Packing | Shipping | Use & End of life |

**Clients**

**Sales team**
(Arcade Beauty Solutions & Developments)

*Production order*

**Innovation & products quality**
**Responsible offers**

**Forming, Printing, Assembling**
(Socoprint, Carestia, Phoenix, Dixon)

**Formulation & Bulk manufacturing**
(Chattanooga, Socoplan, Carestia)

**Reduction of environmental impacts on production sites**

**Optimization of the logistical footprint**

**Flexible packaging**
(Socoplan, Socopol, South Plainfield, Chattanooga)

**Rigid packaging**
(Biopack, Dayton)

**Reduction of environmental impacts on production sites**

**Optimization of the logistical footprint**

Send by mail to the user
(E-Com)

Send by mail to the user
(mailing)

Integrated in press

Distributed in sales centers

**Health and safety of user**

**Recyclability and consumer awareness**

**Purchase choice & cooperation with suppliers**

**Raw materials**
(cardboard, plastic, aluminum, glass, agents)

**Oils & Cosmetic products**

&

**Ethical business practices**

*Purchase dedicated to Client Order*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 1.3 BUSINESS STRATEGY

Arcade Beauty strategy has been built around 3 pillars:

| | |
|---|---|
| **Sampling** | Offer fragrance and cosmetic product sampling for brands and retailers and for all channels (magazines, in-store, retails catalogues, digital/direct mail samples) |
| **Full service and retail products** | Develop a complete range of products that meet consumer expectations (refills, travel, mini-products, …) |
| **Digital initiatives** | Develop web-based sampling solutions for a personalized and targeted product discovery (digital sampling campaigns , e-commerce automated distribution) |

Our mission consists of building **solid** and **long-term partnerships** with Arcade Beauty's clients by offering them **targeted sampling solutions** and retail products that take into account **market trends and consumer needs.**

We are striving Arcade Beauty's efforts to:

**1** Position the company as a **Innovative Strategic Partner**, involved upstream in the launching of new products

**2** Contribute to **Sustainable Development**: taking into consideration environmental & social stakes in the management of Arcade Beauty's activities

**3** Increase Arcade Beauty's **Presence** on the market, worldwide and on all the distribution channels (online sales, in store, direct marketing and magazine)

**4** Offer **New Innovative Full-service solutions** to Arcade Beauty's clients, exceeding their expectations

**5** Exploit the **Digital** universe and make it as a differentiating element

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# CORPORATE SOCIAL RESPONSIBILITY STRATEGY

# 2.1 MAIN STAKES IDENTIFICATION METHODOLOGY

## 💡 Context

The wish to structure a Corporate Social Responsibility (CSR) strategy covering Arcade Beauty European and North-American activities aim :
- to answer to **strong expectations from the civil society** and consumers regarding sustainability of products,
- to adapt and to anticipate to more and more **stringent regulations** (on plastic, greenhouse gases emissions,...),
- to **cope with clients demands** and to be able to offer a **new variety of products** that have a lighter impact on the environment.

## ⚙ Methodology description

The main stakes relevant to Arcade Beauty activities were identified and structured at the end of 2020 using international standards :

**SASB**

for Containers & Packaging sector
(October 2018 version)

**ecovadis**

For manufacturing of plastic-based
materials sector risk profile
(November 2020 version)

**TCFD** | TASK FORCE ON CLIMATE−RELATED FINANCIAL DISCLOSURES

(June 2017 version)

In addition, an external consulting team, specialized in sustainability, was involved in order to assist Arcade beauty in building this new CSR strategy. **Members of the executive from Europe and North-America actively participated in the process of structuring the strategy**, for instance to assess the level of maturity and the level of priority of Arcade Beauty on each sustainability topic raised by the international standards and the consulting team.

## 📍 Result

This work enables the Group to **identify and prioritize its environmental, social and societal impacts** within the operations, the supply chain (upstream) and the clients (downstream). These items, organized in four pillars and eleven stakes (see next page), are coherent with the Group objectives, the international standards and the expectations of the Ecovadis questionnaires and sectorial approaches.
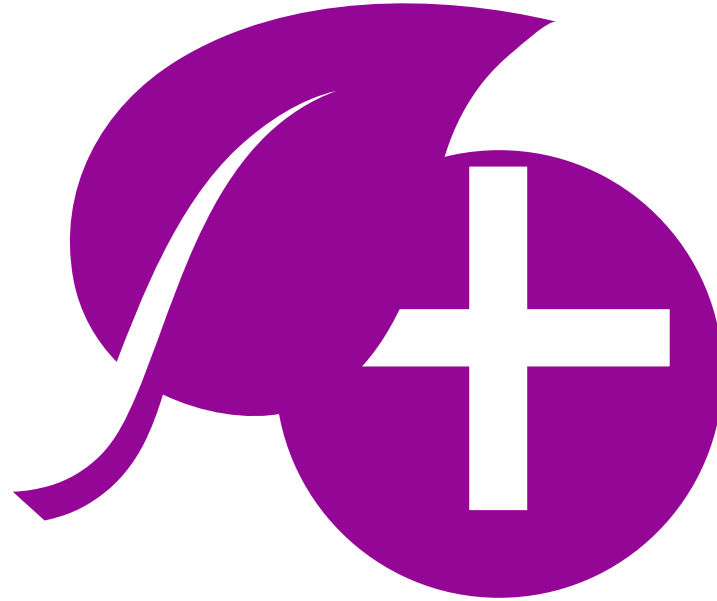
**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# 2.2 SUSTAINABILITY STRATEGY

| CSR Pillars | Stakes | Key Performance Indicator |
|---|---|---|
| **Product & eco-design** | Product Quality & Safety | First Pass Yield (%)<br>Non-Quality Cost (% of sales)<br>% of sites ISO 9001 certified or GMP compliant |
| | Eco-design | % of technologies ready for recyclability or recyclable<br>% of technologies integrating recycled or certified materials |
| **Supply & Ethics** | Responsible Supply Chain | % of strategic suppliers who signed Arcade Beauty CSR Charter<br>Average score (out of 100) of CSR self assessment questionnaire<br>% of strategic suppliers assessed on the Ecovadis platform |
| | Ethics | *On going for 2021* |
| | Communities Engagement | Number of local actions engaged |
| **Operations & Climate** | Health & Safety at Work | Lost Time Frequency rate<br>Recordable Frequency rate |
| | Resources and Emissions Management | % of waste valorized<br>Operational waste intensity |
| | Climate Management | Energy consumption<br>Operational energy intensity<br>% of renewable energy consumed<br>Scopes 1 & 2 emissions<br>Operational emission intensity |
| **People** | Social Dialogue | N/A |
| | Skills & Employees Engagement | % of employees trained<br>Average number of training hours per employee trained<br>Average seniority<br>Voluntary turnover<br>Involuntary turnover |
| | Diversity | % of women<br>% of employees with disabilities |

*Each sustainability stake is detailed in its dedicated section in the next pages of the report.*
*The reporting scope focus only on United-States and Europe sites.*

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# PRODUCT & ECO-DESIGN

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 3.1 PRODUCT QUALITY AND SAFETY

Product quality and safety is one of Arcade Beauty's top priorities. It is a pre-requisite in all its production. Arcade Beauty's objective is to provide full satisfaction to its clients and to ensure the safety of its products. Arcade Beauty knows and applies the local and international regulations in force about the packaging of cosmetic products and the transportation of hazardous materials. Arcade Beauty continuously implements robust standard operating procedures (SOP) to control product quality and safety all along the manufacturing process.

## ARCADE BEAUTY'S QUALITY PROCESSES

✓ Arcade Beauty is committed to take all necessary measures to respect the necessary conditions of hygiene of the personnel, the premises and the materials.

✓ All sites undergo several types of product quality testing as well as quality audits driven either by the ISO certification for certified sites or performed by clients.

✓ All filling sites are GMP compliant (FDA & ISO 22716) and all sites meet the REACH regulation.

✓ The cosmetics sites have a release process that includes microbiological controls.

✓ The forming and printing plants are equipped with viewing cameras and software capable of detecting defects and making corrections during production


*Chattanooga laboratory*


*Socopol microbiology laboratory*


*Incoming inspection area of Biopack*


*Socoplan microbiology laboratory*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 3.1 PRODUCT QUALITY AND SAFETY

## KEY INDICATORS

### 97.6%
FIRST PASS YIELD

### 0.44%
SALES IN NON-QUALITY COST

### 100%
SITES ISO 9001 CERTIFIED OR GMP COMPLIANT

## COLLABORATING ON QUALITY

Arcade Beauty commits to share best practices and quality procedures across sites and regions, when deemed necessary.

Arcade Beauty actively works with its clients to provide them with all required information, allowing any cosmetic vigilance declaration to place the finished products on the market.

*Quality Control in Chattanooga*

*Production controls in Carestia*

*Camera control in Dixon*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 3.1 PRODUCT QUALITY AND SAFETY

The finished products experience several tests before being delivered in order to ensure their quality and safety:

A mechanical resistance test to ensure the resistance of the product during transportation and all over the shelf life

An aging test, where the weight of the content, the odor, the color and the integrity of the product are assessed after 3 months in oven

A compatibility test to make sure that the packaging does not alter the composition of the product

A use test to check that the opening of the packaging and the dispensing of the product meet the specifications provided by the clients

## Perspectives

- Continue to implement preventive actions at production sites to improve quality & safety performance
- Continue to invest in infrastructures and quality control equipment to exceed the current performance
- Meet 2021 Objectives:
  - First Pass Yield: 98%
  - Non-Quality Cost: 0.3% of sales

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 3.2 ECO-DESIGN

Eco-design is at the heart of Arcade Beauty sustainable activity. It seeks to improve packaging products in order to reduce their impact on the environment. It covers environmental impact of packaging through its lifecycle thanks to product innovation. Currently, more and more clients require eco-designed solutions. Eco-designed is tackled by circular economy (recyclability and integrate recycled materials), in line with the Ellen MacArthur foundation but also by improving life cycle analysis (LCA).

To match clients demand, Arcade Beauty's CSR innovation is completely integrated into the development process as well as in client meetings and business review. Arcade Beauty's eco-design strategy is based on **4R concept**:

### Reduce
Format, grammage, number of layers of laminates

### Recycle
Introduce recycled raw materials & make technologies recyclable

### Reuse
Development of reusable packs and refill solutions

### Renew
Introduce bio sourced materials

During the development process in order to compare different solutions and to measure the environmental impact, Arcade Beauty's teams use a life cycle analysis tool: **EcoImpact**

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 3.2 ECO-DESIGN

## KEY INDICATORS

### 48%
TECHNOLOGIES READY FOR RECYCLABILITY OR RECYCLABLE

➤ **Technologies ready for recyclability or recyclable**

The definition of ready for recyclability and recyclable is based on Recyclass & COTREP for plastics, Citeo for all others. Arcade Beauty's technologies are being redesigned to be recyclable through the various waste treatment streams. The main target is to transform multi resins of plastics into mono material in order to be ready for recyclability: as an example, sachets and labels technologies have been reworked to propose aluminium-free and mono material PP solutions, doypack & pouches being qualified for mono material PE.

### 61%
TECHNOLOGIES INTEGRATING RECYCLED OR CERTIFIED MATERIALS

➤ **Technologies integrating recycled or certified materials**

Eco-design aims at improving the environmental impact of the raw materials that Arcade Beauty transform. For sachets and labels technologies, Socoprint plant managed to introduce 7 - 10% of post-consumer recycled (PCR) plastics. For thermoforms, the percentage of PCR is up to 43%. Arcade Beauty US proposes up to 100% PCR bottles. We are also developing bio-sourced solutions to avoid the use of finite resource such as plastic. As an example, Arcade Beauty offers cotton for masks, different bio-sourced supports for fragrance (wood, Arabic gum, bioplastics). Certified paper is proposed for several technologies, such as Cards, Scented papers, but also for ScentStrips and Shadeseals.

## Raw Materials

| | PAPER | PLASTIC | ALU | GLASS | OTHER |
|---|---|---|---|---|---|
| % in the portefolio (in tons)* | 40% | 33% | 6% | 5% | 16% MAINLY INKS |
| % of certified or recycled* | 85% FSC/PEFC | 4% PCR | 0% ASI | 27% PIR | N/A |
| | 100% suppliers are FSC/PEFC certified** | | 75% suppliers are ASI certified** | | |

*\* Data consolidated only on European scope and excluding secondary and tertiary packing*
*\*\* The certification of Arcade Beauty' suppliers is the first step to have certified materials*

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# 3.2 ECO-DESIGN

*The 3D stand-up pouch can be used as minipack or an eco-refill. Originally designed in multi-layers, it is now available in mono resins (PE or PP for pouch & cap) in order to be ready for recyclability in the corresponding plastics streams.*

*Sachet alu-free & with PET PCR :*
*2 significant modifications have been done and proposed to clients for the magazine sachet : removal of aluminium layer & introduction of 70%PCR in the printed PET layer*

*Arcade Beauty offers a mask full-service solution.*
*The mask is 100% cotton, the formula is containing 96% of natural ingredients, and sachet is in mono resin or with paper external layer (50% to aim recyclability in the paper stream.*

## Perspectives

Identify Arcade Beauty's main priorities in terms of eco-design for the coming years and set up road map by technology

- Improve the percentage of recycled plastics, FSC/PEFC paper certifications and start purchasing of certified ASI aluminum
- Reduce unnecessary packaging materials (mandate efficacy on package design, palletization, local supply chain)
- Implement a software system to maintain and track at component level information to integrate them for Arcade Beauty's client's LCA software
- Reduce animal based and petroleum-based materials and introduce more mineral and plant-based material such as bioplastics

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

**ARCADE BEAUTY**
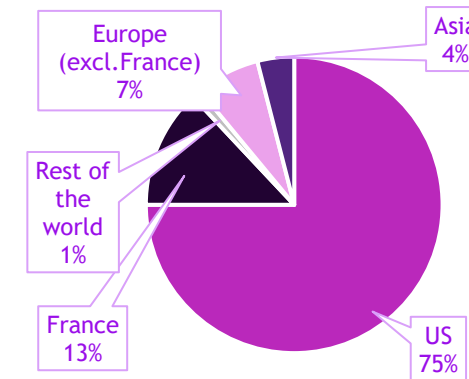**A CENTURY OF DISCOVERIES**

For Arcade Beauty, having a responsible supply chain means knowing its strategic suppliers and their practices, and closely monitoring their sustainability performance

## Supplier selection and follow-up

- Suppliers are generally selected on the basis of price, quality, lead time, localization and availability of products.

- A list of critical suppliers is defined and closely tracked. Critical suppliers are identified based on historical relationship, quality, quantity of purchase orders and specific activity.

- Plants evaluate their critical suppliers by auditing them physically through site visits and then, share reports with other sites for common suppliers. In 2020, the audits could not be conducted physically due to the Covid-19 pandemic.

- Arcade Beauty's suppliers are also regularly assessed based on quality of the products, on-time delivery, responsiveness to request for quotation. When the assessment turns out to be negative, an action plan is established in order to support the supplier to correct the non-conformity.

- Arcade Beauty's clients could drive the selection of the suppliers, asking Arcade Beauty to work with specific supplier.

Asia 2%

Europe (excl.France) 47%

France 50%

US 1%
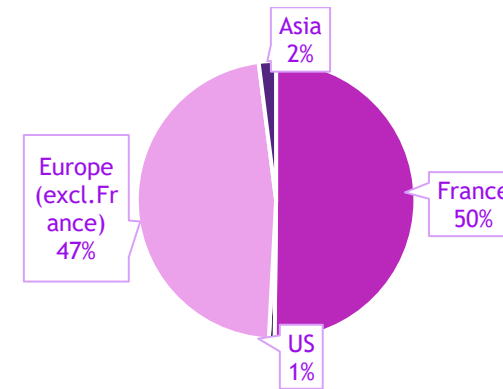
*In Europe, suppliers made up 97% of the procurement spend*

Europe (excl.France) 7%

Asia 4%

Rest of the world 1%

France 13%

US 75%

*In the US, suppliers made up 75% of the procurement spend*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 4.1 RESPONSIBLE SUPPLY CHAIN

| Site | FSC Certification Forest Stewardship Council | SFI Certification Sustainable Forestry Initiative |
|------|:--------------------------------------------:|:-------------------------------------------------:|
| Chattanooga | ☑ | ☑ |
| Dixon | ☑ | ☑ |
| Carestia | ☑ | |

🔍 **Focus on North America**

Each North-American plant has an approved vendor list. An annual review of these suppliers is performed based on the issues they faced to look for alternatives. The Chattanooga site is tracking its critical suppliers' EcoVadis score. The facility requested its ten critical suppliers for an EcoVadis assessment.

## Purchase initiatives in Europe

- 100% suppliers of printing paper are FSC/PEFC certified.
- Since beginning 2021, all printed papers purchased for primary and secondary packaging must have FSC or PEFC certification except if the client imposed a specific paper or supplier.
- Arcade Beauty's printing suppliers certify that no mineral oil is used intentionally in the printing inks at concentration levels greater than 1%.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 4.1 RESPONSIBLE SUPPLY CHAIN

## KEY INDICATORS

### 77%
STRATEGIC SUPPLIERS WHO SIGNED CSR CHARTER (EUROPE ONLY)

### 46
AVERAGE SCORE (OUT OF 100) OF CSR SELF-ASSESSMENT QUESTIONNAIRE (EUROPE ONLY)

### 33%
STRATEGIC SUPPLIERS ARE ASSESSED ON THE ECOVADIS PLATFORM (EUROPE ONLY)

In 2020, the identification process of critical suppliers was based on two criteria:

1. Spends: suppliers responsible for 50% of Arcade Beauty Europe purchase (in €)

2. Suppliers for which Arcade Beauty has no backup, unique source of components and subcontracting, excluding tertiary and logistic packaging

In 2020, 30 suppliers have received the Arcade Beauty's Purchase Policy, its CSR charter and a CSR self-assessment grid. **63% of strategic suppliers completed the CSR self-assessment grid.** They received their rating, as well as the rating of their category and the rating of the Group's suppliers who responded. Average rating is based on CSR governance and sustainable innovation.

## Perspectives

**Initiatives to strengthen**
- Review of the responsible purchasing policy
- Improvement of the existing CSR self-assessment grid: questions and scoring system
- Renewal of the CSR assessment by including more strategic suppliers (mono-suppliers and representing 80% of purchases)
- Duplicate the process in the US

**Initiatives to implement**
- Extend the certification FSC/PEFC to the tertiary packaging
- For paper and printed paper, research traceability of wood fiber by country of origin
- Perform a risk analysis of each purchase category and define selection criteria associated to risk management
- Structure the audit programs to include CSR risks review per purchase category
- Define frequency of supplier assessment and establish action plan in case of non-compliance
- Global negotiation of contracts for equivalent products US/Europe

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 4.2 ETHICS

Ethics is an important value defended by Arcade Beauty which covers all employees regardless of their position. Arcade Beauty has established several policies and measures to ensure that ethics is a priority in all functions of the Group.

Ultimately, Arcade Beauty wants to guarantee that every employee can be a defender of ethics, through high quality trainings and a strong whistleblowing policy.



**Arcade Beauty**
Business Conduct and Ethics Principles

## *Communication of the Code of Conduct and anti-bribery policy*

- Arcade Beauty has implemented an **anti-bribery policy** and a **Code of Conduct** at Group level. Theses policies cover anti-bribery principles, anti-corruption, money laundering, anti-competitive behaviors, data security, moral and sexual harassment, environment protection...
- Ethics is part of Arcade Beauty's "Integrity" value and is a major pillar of the corporate culture. Therefore, employees are evaluated each year on this value during their performance review.
- Newcomers in strategic positions and Finance, Sales, HR, IT experts and any critical position which might be concerned, are required to go over the Business Ethics document "General policy on compliance with anti-corruption principles" and sign it off.

## *Employee training on ethics*

- In order to ensure the integration of these principles, a training is provided by external solicitors, lawyers specialized in this area, to guarantee a high level of quality and expertise.

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# 4.2 ETHICS

## *Ethics non-compliance reporting*

- Outside the usual reporting channels of the line manager, the General Management, the Human Resources Department or the Elected Representatives, it is possible for any employee to contact the whistleblowing hotline. A contract was signed in 2019 with Expolink, the world's leading whistleblowing hotline.

- A whistleblowing procedure was put in place in order to declare easily and anonymously an inadequate behavior and an infringement to the Code of Ethics.

- Each call generates a report which is treated by the President of the region, the CFO and HRD. Local managers and work councils are also competent to receive complaints and identify solutions.

**Arcade Beauty's whistleblowing system allows employees to report any of the following cases:**

- Actual or alleged serious misconduct
- Professional misconduct
- Illegal conduct in the financial, accounting, banking or corrupt practices fields.
- Environmental, health and safety alerts
- Alerts regarding discrimination or harassment in the workplace
- Any other alert resulting from a serious breach of the Code of Ethics and Code of Conduct.

## Perspectives

- Structure policies of business ethics relationships on general issues: bribery, data privacy...
- Continue sharing existing and coming policies (e.g.: anti-bribery)
- Enhance the training of employees on all topics linked to ethics

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 4.3 COMMUNITIES' ENGAGEMENT

Several Arcade Beauty plants have been involved with local associations and organizations for the past few years. Local anchorage is possible and depends on the regions, sites' environment and industrial bases.

On some of its sites, Arcade Beauty has historically created links with local companies or associations of industries, in order to share issues and pool efforts on social, quality or environmental topics. Most of these local activities or projects are still active despite the restrictions related to the Covid-19 pandemic.

In the current sanitary context, the engagement makes sense for people to act for local cohesion aiming at defending common social and environmental causes.



**Carestia** is an active member of three associations acting for social anchoring. With "**Club des Entrepreneurs de Grasse**", "**Grasse Expertise**" and "**100 000 Entrepreneurs**", Carestia organized industrial visits for young people coming from underprivileged area in order to promote equal opportunities and social diversity in the industry. Carestia also held a conference about Green Beauty. "Grasse Expertise" is also supporting the production of perfume plants in the Grasse Region.



At the **Dixon plant**, employees can volunteer to provide help to local schools (filling backpacks for school supplies) or participate in **Habitat for Humanity**, a nonprofit organization that helps people in the community build or improve a living place for families in need. Communities' engagement was however reduced in 2020 due to the Covid-19 epidemic.

Socoplan subscribed to the program **"Manage and communicate the CSR project of my SME",** proposed by the French Chamber of Commerce and Industry to share practices with local companies on the subject.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 4.3 COMMUNITIES' ENGAGEMENT




The Arc
of Salem County

## KEY INDICATOR

# 10
### LOCAL ACTIONS ENGAGED

The **Phoenix Glass plant** has been engaging in local actions for approximately 4 years with the **Arc of Salem County** that serves people with disabilities by giving them the opportunity to close and pack manufactured products at the plant.

**Socoplan** has developed partnerships with local industries to develop and share good practices. **Circular economy** has been introduced for empty containers, previously considered as waste at Socoplan. They can now be used as raw materials for a neighboring company and thus avoid waste treatment (cost and transportation).

**Socoplan**, alongside five other companies, took part in an initiative in partnership with the Ministry of National Education, the unemployment office and the local council community to create specific line driving and maintenance trainings in high schools, in a region suffering from low territorial attractivity and difficulties to recruit technicians.

On the **Biopack site**, three beehives were installed in 2018 for Buckfast honeybees, leading to a third harvest of 80 kg in 2020.

In 2020, four hives were installed on the **Socoplan** site for black bees, an endangered species. A local and volunteer beekeeper transmits his knowledge so that the Socoplan team becomes autonomous in the maintenance of hives.
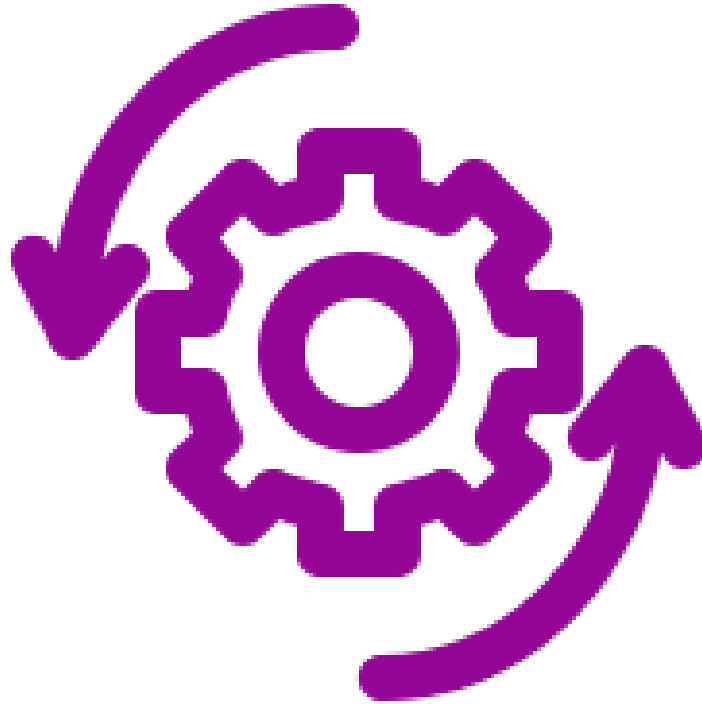
## Perspectives

- Create a local network on plants that are not already involved with local communities, inspired by the existing initiatives
- Develop new opportunities with the existing communities, especially regarding circular economy and the sharing of CSR practices

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 5

## OPERATIONS & CLIMATE

# 5.1 HEALTH & SAFETY AT WORK

Health and safety at work is one of the top priorities of the Group. Arcade Beauty is ensuring its employees to work in safe conditions and to reduce exposition to risks. Since the creation of the group, Arcade Beauty set up a strong Health & Safety policy including Standard Operating Procedures (SOP) addressing all identified risks, regular training and communication to raise safety awareness.

## KEY INDICATORS

### 4.3
LOST TIME FREQUENCY RATE (TF1)
(INCLUDING CHINA AND BRAZIL)

### 8.4
RECORDABLE FREQUENCY RATE (TF2)
(INCLUDING CHINA AND BRAZIL)

### Health & Safety Policy

All major risks have been identified, assessed, communicated and documented through procedures (ergonomic hazards, chemical risks, physical hazards, electrical accidents, working at height, fire and noise).
Safety is now integrated to all Arcade Beauty's process. All sites organize once year a Safety week, proposing topics relative to emergency response plan, ergonomics, evacuation, fire safety, ergonomics, ladder, chemical risks, …
AB devotes more than 25% of annual investment budget to improving the working conditions of employees.

### Raising awareness

All recordable are systematically reported to the Executive Committee and corrective action plans are shared across the company. All managers are assigned to conduct site inspections on a monthly basis and appropriate actions are undertaken to address the issues. All Employees are encouraged to act immediately once a risk happens.
All Sites propose safety briefing, training, regular internal safety audits, reporting on near misses, bulletin boards for communication along with a TV display information. An internal sharing of good practices is organized through various communications. The deployment of local actions is monitored by sites' management teams, who also track "nearly-missed" incidents.

### Safety metrics

Thanks to all theses actions significant improvements were observed this year:
- Frequency rate of accidents with lost working days: **4.3 against 5.1 in 2019** (Global Arcade Beauty including China and Brazil)
- Frequency rate of accidents with and without lost working days: **8.4 versus 9.5 in 2019** (Global Arcade Beauty including China and Brazil)
- Number of sites having zero lost time accidents for more than one year: **5 out of 10 (50%)**

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 5.1 HEALTH & SAFETY AT WORK

**Some good practices were implemented in 2020:**
- "5S program" to prevent trip and fall hazard at the workplace
- "Guarding survey" to identify pinch points in all the machines used in operation to reduce hazards and identified areas for installation of the safeguards
- "Safe card program" to encourage employees to report near miss, any hazards identified at the site as a good catch



*S.A.F.E. card on US sites*

*Road marking on Le Papillon site*

*5S table marking on Phoenix site*

*Handling equipment to avoid back pains on Socoplan site*

## Perspectives

- Continue to implement preventive actions at production sites to prevent any hazards
- Continue to invest into infrastructures and machinery to improve safety working conditions
- Meet 2021 objectives:
    - TF1 < 4.1
    - TF2 < 7.6

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 5.2 RESOURCES & EMISSIONS MANAGEMENT

Resources & emissions management covers the topics of waste and VOC emissions. Considering that limited water is used in activities, water was not considered as a relevant sustainability stake for Arcade Beauty.
Resources management is key to high competitiveness: it is and remains one of Arcade Beauty's priorities. All Arcade Beauty's sites have been monitoring the consumption for several years: every year new actions are implemented to limit environmental impact.

## KEY INDICATORS

### 79%
WASTE VALORISED
(RECYCLED, INCINERATED WITH ENERGY RECOVERY)

### 1.1
OPERATIONAL WASTE INTENSITY
(KG OF WASTE / 1000 UNITS PRODUCED)

## Wastes

Reducing waste during production is one of the focus of all industrial plants. Each site sorts and monitors wastes quantity by type and has a waste reduction plan (except for Phoenix Glass).

In 2020, hazardous waste represented 18% of Arcade Beauty's waste. It is mainly cosmetic fluids, production consumable materials, alcohol, solvents, etc. coming from regular daily operations. Arcade Beauty's wastes are treated by third-party specialists in order to ensure that it does not end-up in nature.

Non-hazardous waste, such as cardboard, papers, pallets, is recycled when possible.

*Non-woven rolls are recycled by a partner as raw material for stuffing operations*

*Paper prepared for recycling*

*Pallets are repaired or wood is reused by an adapted company, member of Emmaüs France*

*Glass dumpsters to be sent to a third-party recycling specialist*

*Used containers are recycled for garden equipment (water reserve or container garden)*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

**Waste Reduction through Daily Management and Continuous improvement Program**

Most losses come from machine settings. All Arcade Beauty's sites have implemented and continue to develop a waste reduction plan :

- Dayton and South Plainfield launched a project in Q4 2020 to reduce laminate material
- Chattanooga has some projects for 2021 through process changes that will help reducing waste generated at site level
- Dixon sets a target for paper waste: remaining under 6% of the total amount of paper bought. In 2020, the facility was below target.
- Socopol decreased laminate waste from 7.5% in 2018 to 6.6% in 2020, thanks to a laminate waste reduction program.

We have also decided to raise awareness among Arcade Beauty's client about the wastes that processes generate. Therefore, Carestia tells clients about loss rate of paper on the quotation and offers one reduced-waste option if possible (e.g.: adjustment of the pack format in order to optimize paper use during production).





*In 2020, Socoprint reuses 89% of inks thanks to the onsite colorimetry station.*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

## Air Quality

Considering its activity, Socoprint is affected by air pollution, mainly volatile organic compound (VOC). The site is equipped with biologic system with a biowasher and a biofilter to treat solvents that could be released in the atmosphere.

Dayton and South Plainfield also installed VOC sensors throughout the plant to immediately detect any air pollution.
All Arcade Beauty' sites respect local regulation and are frequently controlled by local authorities.

## Water

Water is not used in Arcade Beauty's processes. It is mainly use it for cleaning. The volumes of water consumed by each site are relatively low. All sites perform external analysis to ensure compliance of water emissions to local regulations.



*Rather than using an incinerator, which is widely used use among printers, Arcade Beauty has chosen to invest in an innovative technology of Biofiltration. VOC treatment is performed by bacteria spread with water, colonizing the peat, composed of neutral silica beads.*

## Perspectives

- 2025 Targets:
  - ➤ 100% waste valorised (recycled, incinerated with energy recovery)
  - ➤ Operational waste intensity (kg of waste / 1000 units produced) below 1
- Set targets for all sites and at Group level on production losses
- Engage discussion with waste treatment facilities to improve recycling / recovering rates
- Initiate action plans on air pollution reduction for relevant sites

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 5.3 CLIMATE MANAGEMENT

Climate management is related to many steps in the value chain of Arcade Beauty's activity: from purchasing raw materials to the end-of-life of the products manufactured. Arcade Beauty's target is not only to optimize its energy consumption and direct greenhouse gases (GHG) emissions but also to reduce its indirect impact on climate.

## GLOBAL CONTEXT

- **COP21 Paris 2015 agreements** aiming at strengthening the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

- **Strong expectations from civil society and end-consumers,** known as "plastic bashing", for an effective and significant contribution from the private sector (reduction, recyclability).

- Development of **international initiatives to support the private sector, especially the Ellen MacArthur foundation**, joined by more than 250 business (L'Oréal, Unilever, Johnson & Johnson, L'Occitane, Estée Lauder), 200 endorsers, 20 governments and the **Sustainable Packaging Initiative for CosmEtics (SPICE).**

## CLIMATE-RELATED RISKS AND OPPORTUNITIES

Arcade Beauty has identified and evaluated the **main climate risks and opportunities** on its business, in order to perpetuate its development for the coming years.

### Risks to mitigate
- **Strengthening regulatory** framework for a low-carbon transition: entities must report regularly on their emissions and on their implemented efforts.
- **Plastic regulations:** in Europe, single use plastic regulation forbids non reusable items starting from 2021 and pushes to increase recyclability of single use plastic by 2030.
- **Material price inflation:** development of carbon pricing mechanisms (like taxes) around the world to limit the depletion of natural resources.

### Opportunities to seize
- **Eco-design:** in 2020, Arcade Beauty has intensified its work in reengineering its product portfolio, having the objective to reduce the plastic, use PCR material and make 100% of its packaging recyclable by 2025.
- **New markets**: since 2017, Arcade Beauty has undertaken 2 main business diversification in digital sampling distribution and in retail market. In 2020, the digital platform called Abeo has been launched in Europe and a global retail strategy has been setup with a dedicated organization.
- **Energy plan:** some quick-win actions have been implemented in 2020 to reduce fugitive emission, improve energy efficiency of machines and optimize logistic flows.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

## KEY INDICATORS

## 31 GWh
ENERGY CONSUMED

## 11.6
OPERATIONAL ENERGY INTENSITY
(KWH / 1000 UNITS PRODUCED)

## 0%
RENEWABLE ENERGY CONSUMED

### Energy consumption

Some sites have set up action plans dedicated to energy consumptions and GHG emissions reduction: close monitoring, investments on machines of low consumptions, replacement of light bulbs and installation of detectors, employee's awareness and training. As an example, led lights were installed in Socopol, Socoplan and Carestia in 2020.

One of the key challenge Arcade Beauty is facing is relative to the aging machines and infrastructures that require more investment to reduce energy consumption, particularly in forming and printing manufacturing processes. An important part of Arcade Beauty's capital expenditure is dedicated to the replacement of machines.

For the first time in 2020, Arcade Beauty is tracking the operational energy intensity of each site calculated as the annual energy consumption of the site divided by the annual number of units produced. This KPI will be helpful in assessing the energy efficiency performance of the sites along the years and in comparing performance of sites with similar activities.
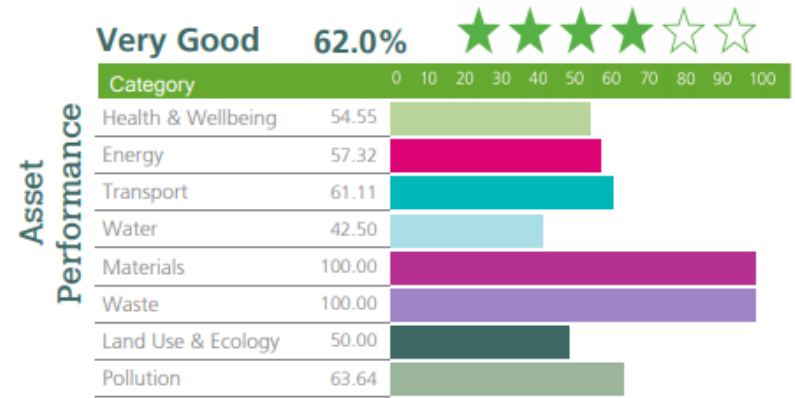


*Energy consumption per energy type (GWh)*

*Energy consumption per site (in GWh)*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES
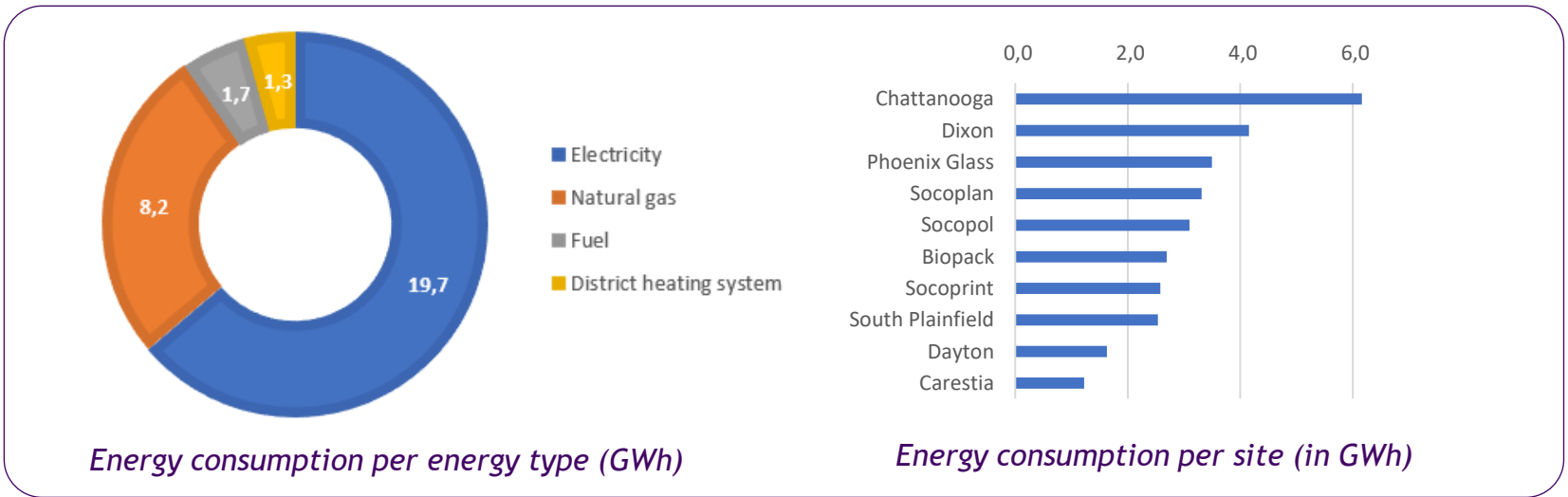
*In 2017, Phoenix Glass bought new glass forming machines which led to a large decrease in energy consumption. The site is planning to buy Lear in 2021 to save energy.*



| Very Good | 62.0% | ★★★☆☆ |
| --- | --- | --- |

**Asset Performance**

| Category | | |
| --- | --- | --- |
| Health & Wellbeing | 54.55 | |
| Energy | 57.32 | |
| Transport | 61.11 | |
| Water | 42.50 | |
| Materials | 100.00 | |
| Waste | 100.00 | |
| Land Use & Ecology | 50.00 | |
| Pollution | 63.64 | |

*Socopol asset performance was evaluated on BREEAM In-Use in 2020 and received a Very Good score (62%).*

## Perspectives

- Determine an energetic profile per site, based on a monitoring plan to analyze precisely the consumption per machine
- Reinforce action plans on energy consumption reduction
- Strengthen employee's awareness and engagement thanks to the preparation of an eco-responsible chart
- Include energy and GHG emissions in investments criteria

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

## KEY INDICATORS

# 8 960 tCO2eq
SCOPE 1 AND 2 EMISSIONS

# 3.4
OPERATIONAL EMISSIONS INTENSITY
(KGCO2EQ / 1000 UNITS PRODUCED)

## GHG emissions

More than 70% of Arcade Beauty's GHG emissions are generated by electricity consumption (scope 2 emissions), which will be the focus of the action plan to reduce Arcade Beauty's emissions in the coming years.

For the first time in 2020, Arcade Beauty is tracking the operational emission intensity of each site calculated as the annual GHG emissions of the site divided by the annual number of units produced. This KPI will be helpful in assessing the emissions reduction of the sites along the years and in comparing performance of sites with similar activities.

In Europe, operation energy and emissions intensity KPIs have been tracked since 2018. They decreased respectively of 28% and 22% from 2018 to 2019, which are the results of the efforts to become more energy efficient. In 2020, due to Covid crisis, these KPIs are higher to 2019 value due to abnormal operations. In 2021, the energy and emissions performances are expected to be better than in 2020 and 2019.
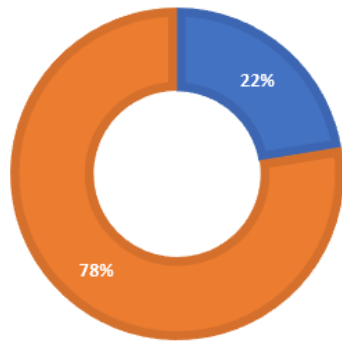


*Scopes 1 and 2 GHG emissions split*
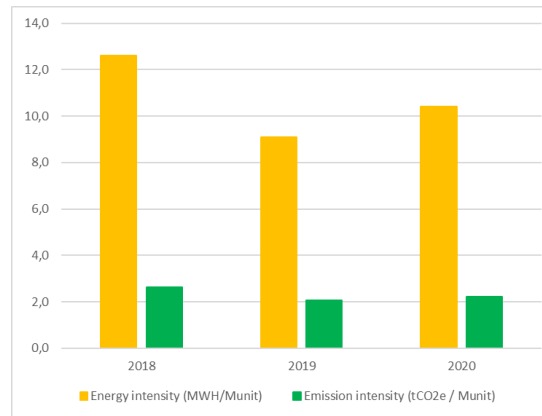


*Energy and emissions intensity in Europe*

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES
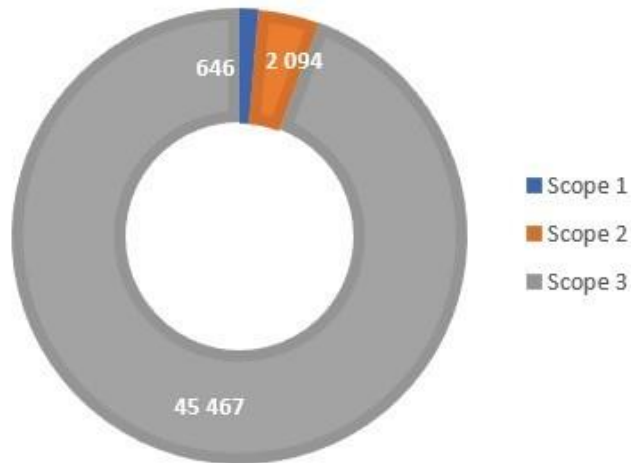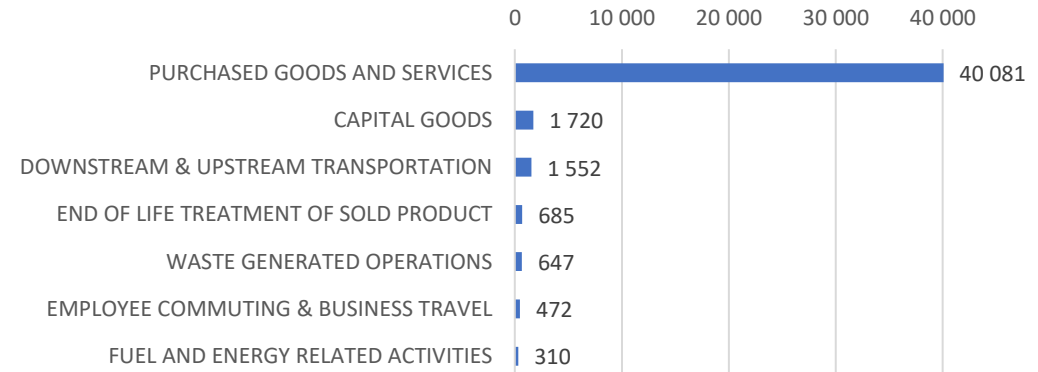
## Scope 3 GHG emissions

GHG emissions were calculated along all value chain for Arcade Beauty's European activities. **Scope 3 emissions represents 45 467 tCO2eq, accounting for more than 90% of the total emissions**, among which the purchased of goods and services accounts for 83% of total emissions. The other major emissions sources are capital goods, transportation (upstream and downstream) and end of life of products.

These results will help Arcade Beauty to prioritize its efforts to reduce emissions along the value chain:
* the actions driven by eco-design workstream will enable to significantly reduce purchased goods and services scope 3 emissions
* Arcade Beauty will continue to transfer the technologies where the products are consumed and commits to prioritize local suppliers in order to limit the emissions due to transportation.

**Europe scopes 1, 2 and 3 GHG emissions split (tons CO2)**

- 646 — Scope 1
- 2 094 — Scope 2
- 45 467 — Scope 3

**Europe scopes 3 GHG emissions (tons CO2)**

| | tons CO2 |
|---|---|
| PURCHASED GOODS AND SERVICES | 40 081 |
| CAPITAL GOODS | 1 720 |
| DOWNSTREAM & UPSTREAM TRANSPORTATION | 1 552 |
| END OF LIFE TREATMENT OF SOLD PRODUCT | 685 |
| WASTE GENERATED OPERATIONS | 647 |
| EMPLOYEE COMMUTING & BUSINESS TRAVEL | 472 |
| FUEL AND ENERGY RELATED ACTIVITIES | 310 |

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 5.3 CLIMATE MANAGEMENT

*In 2018, a European comparative life cycle assessment quantified significant environmental benefits of digital printing, as installed in Socoprint and Chattanooga, compared to gravure printing: -56% GHG emissions, -65% of ink used, -88% of solvent used.*

*American technologies -labels filling and scentseal bulk manufacturing- were installed in Europe in 2018. Combined with the European sourcing of the complex and raw materials, this resulted in CO2 gains of 1361 tons in 2019 to fulfill European clients orders.*

## Perspectives

- Extend to the US sites the report of carbon footprint through the CDP Climate-Supply chain, working on common intensity targets initiatives
- Engage into solutions of renewable energy and investment in state-of-the-art machines aiming at decreasing energy-related GHG emissions
- Perform energy audits (climate oriented) in order to investigate solutions to decrease scopes 1 & 2 emissions
- Define a 2030 reduction plan for scopes 1,2 & 3 covering both Europe and US scopes

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# PEOPLE

# 6.1 SOCIAL DIALOGUE

Social dialogue guarantees proper working conditions for all employees and a good relationship between the employees and the management. It asserts workers' rights in any situation.

## ENSURING THAT EMPLOYEES HAVE A SAY

- Unions are represented in two sites and the communication is open and constructive. Unions are part of the work councils.
- In Europe, all of Arcade Beauty' sites are covered by a collective agreement, except for Biopack. With the support of the work council during monthly meetings, all sites are always working in compliance with this specific regulations.
- In the US, Chattanooga has a collective agreement covering wage and hour requirements, anti-discrimination policy and employee health and safety requirements.
- Important agreements, such as profit sharing, are jointly signed by the company and the work council represented by the unions when there is one. Plant Directors and HR managers are working to build a trustful and constructive collaboration with work councils.

## ADAPTATION TO COVID-19

- Arcade Beauty deployed several measures to protect the health of its employees worldwide during the Covid-19 crisis. Arcade Beauty updated its health procedures according to local regulations and the dialogue with employees.
- Arcade Beauty employees demonstrated a strong capacity to adapt to the sanitary context; they showed reactivity, flexibility and tenacity. To date, no contamination was recorded on site. A crisis committee composed of the plant directors and leaders was formed and is ensuring that the situation is closely monitored

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

## GUARANTEEING FLEXIBILITY AND STABILITY AT WORK

- In office functions, each manager is responsible for the working time of its team according to the activity and workload of the department.
- Production sites work on three shifts and the working time is registered electronically. All sites offer a high flexibility in working hours and the ability for employees to swap shifts when agreed. Day shifts rotate on a weekly basis. For night shifts, hours are overpaid according to the law. Employees may be asked to work on Saturdays occasionally during the year when the activity level is relatively high.
- Arcade Beauty is willing to look after the balance between private and professional life and is granting part-time contracts whenever it is possible.
- Most employees have a permanent contract. However, temporary contracts are a common practice due to a high variation of Arcade Beauty's activity. Arcade Beauty works closely with temporary employment agencies specialized in industrial jobs to hire most suitable skilled workers for its operation.

## Perspectives

Office functions have had the opportunity to work remotely during the Covid-19 crisis, and Arcade Beauty wants to continue offering this flexibility to its employees. In Europe, employees will have the opportunity to work remotely at least one day a week. This will be formalized in a home-office charter as part of a corporate agreement.

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# 6.2 SKILLS & EMPLOYEES ENGAGEMENT

Arcade Beauty values skills and employee's engagement as it contributes to fulfill employees' well-being in the company. Skills are to be developed to maintain employability and to guide employees towards a continuous learning process.

## KEY INDICATORS

### 92%
EMPLOYEES TRAINED

### 10
AVERAGE TRAINING HOURS PER EMPLOYEE TRAINED

## TRAINING POLICY

- All HR missions, including skills development management but also recruitment, performance review and others, are driven and implemented according to a specific and dedicated HR policy which is written and shared by all HR managers for use.

- There is therefore a common framework of practices which ensures a consistent, reliable and coordinated implementation of actions. The policy and tools are thus fully integrated and harmonized.

- A budget is planned annually for each entity to set up training actions. Additionally, entities have to follow local public regulations regarding the deployment of trainings.

- Annual KPIs are in place to control the implementation of training plans and their associated budgets. Arcade Beauty strives to guarantee equity in the repartition of actions, regardless of age, gender, or position in the organization. The training plan is under the control of the work council, which is requested to approve it annually at the end of the fiscal year.

- Details of the training plan are managed locally depending on entity's needs and priorities according to the allocated budget.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 6.2 SKILLS & EMPLOYEES ENGAGEMENT

## TRAINING PROGRAM (CLASSROOM AND E-LEARNING)

- Based on the expectations and needs requested by employees and managers, the HR team organizes classroom or e-learning trainings.

- At the end of each course, the trainee has to write an evaluation to be sent to the HR team in order to ensure that the course was efficient and aligned with the initial expectations.

## ASSESSING TRAINING NEEDS

- During annual performance reviews, each employee has the opportunity to request for additional trainings to improve a particular skill. Through Ultipro and the competence-based evaluation, it is now easier for the manager to identity gaps, discuss with the employee and decide for a training action. Training requests are also collected by managers along the year.

- Skill development plans are built for employees and managers are evaluated on their capacity to grow their team members snd to monitor individual performances.



*Eco-themed attractions during Safety Week at Socopol*

*Team lunch during Safety Week on Phoenix site*

*Risks hunts during Safety Week at Socoprint*

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 6.2 SKILLS & EMPLOYEES ENGAGEMENT

## KEY INDICATORS

### 10.6
AVERAGE SENIORITY IN YEARS

### 8.0%
VOLUNTARY TURNOVER

### 7.6%
INVOLUNTARY TURNOVER (TERMINATIONS...)

## RECRUITING THE RIGHT SKILLS AND PROMOTING INTERNAL MOBILITY

- North American facilities post job opportunities internally on job boards to promote internal mobility before hiring external employees. All job postings related to production are posted in the bulletin board accessible to all production employees.
- A support process for new hires has been implemented with periodical reviews along with the supervisor towards defined milestones and SOP procedures.

## PROMOTING EMPLOYEE ENGAGEMENT

- In Europe, the last engagement survey organized in 2019 illustrated a strong commitment of employees to Arcade Beauty, as 64% of employees declared that they would recommend the business as a great place to work. An action plan was defined to work on topics highlighted by the survey.

- In North America, several sites have conducted employee surveys and the few negative feedbacks collected were addressed through actions plan. Additionally, the Phoenix Glass site provides an exit interview survey at separation of employment (not mandatory). The VP, director of administrative services and the supervisor review the survey and take into consideration where they could make necessary improvements.

- Each site closely monitors its turnover rate, a way of measuring the engagement of employees in the company.

## Perspectives

- In Europe, an engagement survey will be launched in the last quarter of 2021 to measure several HR KPIs and develop action plans.

- Arcade Beauty is working on implementing a formalized global process to promote internal mobility.

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# 6.2 SKILLS & EMPLOYEES ENGAGEMENT

## CSR PROMOTION –Europe only-

Since 2019, CSR has been promoted in different ways:
- CSR kick-off via one CSR day per site in order to start building the CSR action plan
- Awareness-raising via regular flash-communications in relation to international or Arcade Beauty news, shared by e-mail and on TV screens
- Organization of a CSR challenge: In December 2020, for 3 weeks, European employees were invited to connect to a website to play and discover sustainability in the World and at Arcade Beauty. 300 employees in 39 teams actively participated. The successful team permitted a donation to a charity. "Belle et Bien" supports women and men who are facing cancer by offering them aesthetic treatments that bring confidence and reinforce self-esteem, an additional weapon to face cancer.



*CSR days with steering committee*



*During National Breast Cancer Awareness Month, Arcade Beauty invited employees to wear pink to raise awareness.*



*The winning team of the CSR challenge made it possible for 25 women suffering from cancer to receive 132 beauty treatments.*

## Perspectives

- Duplicate the CSR challenge in the US in 2021
- Agree on a global communication routine in order to maintain employee awareness
- Federate Arcade Beauty's teams around the CSR policy and to allow the development of initiatives in this sense

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

Promoting diversity as well as preventing discrimination and harassment at the workplace is one of Arcade Beauty's social objective. It ensures a serene workplace where everyone is treated equally and contributes to increase employee's well-being in the company.

## KEY INDICATOR

# 51%
FEMALE EMPLOYEES

# 2%
EMPLOYEES WITH DISABILITIES*

*In Europe only since it is illegal in the US to track such information*

Diversity is managed at site level. To date, there is no dedicated formalized policy at Group level, but diversity is incorporated in many of Arcade Beauty's operational processes. For example, most plants provide a business conduct handout that contains sections on anti-discrimination and harassment during new hires' orientation program. In the US, some facilities monitor ethnicity ensure a good representativity. Arcade Beauty also participated in L'Oréal's Solidarity Sourcing initiative which promotes the employment of people that are generally excluded from the labor market.

## *Diversity is part of Arcade Beauty's practices*

### *Gender*
Women have a strong place in Arcade Beauty Europe. In fact, women represent 51% of the total workforce and more than 50% of top management (Carestia has 90% of women in Executive Committees).

### *Age*
The average age of employees is between 40 and 50 years old. Youth employment opportunities are promoted by recruiting apprentices on sites. A machine operator course was created in partnership with the Thouars technical high school and is open to young job seekers.

### *Disability*
Encouraged by the French regulation, French sites subcontract some activities to sheltered employment companies and work with a French association supporting the development of employment for people with disabilities (AGEFIP).

## Perspectives

- Set up a diversity policy common to all sites including generation, background diversity and integration of disabled employees.
- Define and initiate the reporting of complementary KPIs in order to prepare and prioritize action plans: average age of the workforce, percentage of women in the top management and wage gap by gender and in top management.

**ARCADE BEAUTY**
A CENTURY OF DISCOVERIES

# PERSPECTIVES – 2025 TARGETS

## Product & Eco-Design

| First Past Yield | Non-Quality Cost |
|---|---|
| **> 98%** | **< 0.3%** of Sales |
| 97.6% in 2020 | 0.44% in 2020 |

| Technologies ready for recyclability or recyclable | Technologies integrating recycled or certified material |
|---|---|
| **100%** | **> 75%** |
| 48% in 2020 | 61% in 2020 |

## Supply & Ethics

| Strategic suppliers who signed CSR Charter | Average Score of CSR self-assessment |
|---|---|
| **100%** | **> 60%** |
| 77% in 2020 (EU scope only) | 46% in 2020 (EU scope only) |

| STRATEGIC SUPPLIERS ASSESSED ON ECOVADIS | Communities Engagement |
|---|---|
| **> 75%** | **> 15** local actions engaged |
| 33% in 2020 (EU Scope only) | 10 in 2020 |

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# PERSPECTIVES – 2025 TARGETS

| Operations & Climate | | People | |
|---|---|---|---|
| **Waste valorised (recycled, incinerated with energy recovery)**<br><br>**> 90%**<br><br>**79% in 2020** | **Operational waste intensity (kg of waste / 1000 units)**<br><br>**< 1**<br><br>**1.1 in 2020** | **Employees trained**<br><br>**> 95%**<br><br>**92% in 2020** | **Average training hours per employee trained**<br><br>**> 14h**<br><br>**10h in 2020** |
| **OPERATIONAL ENERGY INTENSITY (KWH / 1000 UNITS)**<br><br>**< 10**<br><br>**11.6 in 2020** | **OPERATIONAL EMISSIONS INTENSITY (KGCO2EQ / 1000 UNITS)**<br><br>**< 2.5**<br><br>**3.4 in 2020** | **VOLUNTARY TURNOVER**<br><br>**< 6.0%**<br><br>**8.0% in 2020** | **FEMALE EMPLOYEES**<br><br>**> 50%**<br><br>**51% in 2020** |

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# CONCLUSION

| CSR Pillars | Our main perspectives for 2021 |
|---|---|
| **Product & eco-design** | • Identify main priorities in terms of eco-design for the coming years<br>• Pursue the work performed to increase sustainability on raw materials<br>• Implement a software system to maintain and track at component level information to integrate them for Arcade Beauty's client's LCA software |
| **Supply & Ethics** | • Duplicate the European supplier's selection and follow-up process in the US<br>• Perform a risk analysis of each purchase category and define selection criteria associated to risk management<br>• Structure the audit programs to include CSR risks review per purchase category |
| **Operations & Climate** | • Perform energy audits and define action plans to reduce energy consumption<br>• Extend to the US sites the report of carbon footprint through the CDP Climate-Supply chain, working on common intensity targets initiatives<br>• Define a 2030 reduction plan for scopes 1,2 & 3 covering both Europe and US scopes<br>• Include energy and GHG emissions in investments criteria |
| **People** | • Launch an engagement survey in Europe<br>• Set up a diversity policy common to all sites including generation, background diversity and integration of disabled employees<br>• Define and initiate the reporting of complementary KPIs in order to prepare and prioritize action plans |

ARCADE BEAUTY
A CENTURY OF DISCOVERIES

# APPENDIX: INFORMATION ON ECOVADIS AND CDP

## EcoVadis Sustainability Rating

Ecovadis is a large **collaborative platform for trading partners to share sustainability performance** information. The rating methodology covers 7 management indicators across 21 sustainability criteria in 4 themes: **Environment, Labor & Human Rights, Ethics and Sustainable Procurement.** It is based on leading standards such as GRI, UNGC and ISO 26000 and it is supervised by an international scientific committee.

The EcoVadis overall score (0-100) reflects the quality of the company's sustainability management system at the time of the assessment. The EcoVadis sustainability recognition levels are based upon the percentile ranking of the company's EcoVadis score, and a minimum theme score. The criteria for scorecards published from 1 January 2020 are as follows:
- Platinum - top 1% (overall score between 73 and 100)
- Gold - top 5% (overall score between 66 and 72)
- Silver - top 25% (overall score between 54 and 65)
- Bronze - top 50% (overall score between 45 and 53)

More information on https://ecovadis.com/ratings/

## CDP Sustainability Rating

CDP is a **not-for-profit charity** that runs a **global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.** Each year CDP supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities on **climate change, water security and deforestation.**
CDP takes the information supplied in its annual reporting process and scores entities based on their journey through disclosure and **towards environmental leadership**. Through its independent scoring methodology, CDP measures progress on climate change, forests and water security based on a grade going from D- to A.

More information on https://www.cdp.net/en

ARCADE BEAUTY
A CENTURY OF DISCOVERIES