

FLOSLEK
LABORATORIUM



ESG STRATEGY

For the sake of a better future

About FLOSLEK Cosmetic Laboratory

FLOSLEK Cosmetic Laboratory is a Polish family company where we have been producing cosmetics and dermocosmetics for skin care and protection for over 28 years. We help people with delicate and sensitive skin achieve a healthy and beautiful appearance by creating innovative and safe formulations whose formulas are primarily based on plant-based raw materials.

Today, FLOSLEK is a company that employs more than 120 people, has a modern factory in Piaseczno near Warsaw, a state-of-the-art machine park and two laboratories: Research and Development Laboratory and Quality Control Laboratory. This allows us to responsibly oversee the entire cosmetic development process: from the idea, to formulation development, manufacture, storage and sale.

Currently, the laboratory offers more than 300 cosmetics and dermocosmetics, as well as biocidal preparations and medical devices, which form dozens of care lines in various categories. These include the iconic eye contour gels with eyebright and beauty cosmetics, as well as specialist dermocosmetics that complement the therapies used by dermatologists.

We are mainly inspired by Polish flowers and herbs. We combine our ancestors' knowledge of plants with the latest scientific achievements, and we are also constantly searching for new substances and developing more and more perfect formulations. We make sure that our cosmetics are of the highest quality – effective, safe and environmentally friendly.

For years, we have been investing in solutions that will allow us to develop our offer in an ecological trend, within the framework of sustainable development, bearing in mind the environment and the future of the next generations. We implement nature-safe technologies, minimise the amount of waste produced and use natural resources efficiently. We do not conduct animal testing.

We also promote our products intensively around the world, among other things through participation in major exhibitions: in Bologna, Dubai and Hong Kong. This has resulted in partnerships with nearly 50 countries on four continents and steadily growing exports.

ESG Strategy

UN Sustainable Development Goals

The world is facing the greatest challenge in its history – the threat of climate catastrophe. Therefore, initiatives related to a responsible approach to sustainability for all of us are crucial today.

At FLOSLEK Cosmetic Laboratory, issues related to environmental protection and prevention of environmental degradation, social responsibility and corporate governance and quality management have been pillars of the company's operations for years. Our pro-environmental measures were detailed in the report “Green Deal – Good Practice” in September 2021. Transparent, responsible, ethical management and rules of cooperation with external partners ensure that we conduct our business in compliance with the Code of Ethics of the Polish Union of the Cosmetics Industry and the Code of Conduct for Suppliers of the FLOSLEK Cosmetic Laboratory.

In 2022, we combined the previously implemented initiatives with new ventures and created a coherent **ESG strategy – For the sake of a better future**. It outlines a series of ambitious commitments made by FLOSLEK Cosmetic Laboratory in order to achieve **13 of the Sustainable Development Goals developed by the United Nations**.

We feel responsible – for the condition of the environment, for our employees and society, as well as for building business relationships based on mutual honesty, respect and trust. That is why we have been, are and will be continuing to be active in these key areas!



What is ESG?

Protection and prevention of environmental degradation (environmental)

Socially responsible companies should create an environmental policy that allows for measurable verification of the assumptions made and is based on a specific plan. **It is also important to identify the risks to the business itself that result from climatic changes.** In this area, companies should focus on aspects such as:

- energy consumption,
- emission of pollutants,
- raw material supply,
- water management,
- renewable energy.

Social responsibility and human rights

These objectives should be pursued both within the company itself and externally. Measures targeting the company include, for example, equal pay for the same positions regardless of gender, respecting the employees' rights, security and data protection, combatting inequalities or conducting a policy for suppliers. The company's information policy is also important in this area.

Corporate governance is the final pillar of the ESG concept. It is particularly important for long-term investors, as it affects confidence in the company and business activity. Elements such as supervision of the company, the structure of the company's management board, respect for disclosure requirements to shareholders, executive remuneration, respect for shareholder rights, tax transparency or the prevention of corruption and bribery remain within the scope of analysis here.

3 pillars of ESG



13

Sustainable Development Goals UN

ENVIRONMENT



SOCIAL
RESPONSIBILITY



CORPORATE
GOVERNANCE





Our commitments to the environment





Our commitments to the environment

For the sake of clean and accessible energy 1/2

7 AFFORDABLE AND CLEAN ENERGY



OUR OBJECTIVES:

- Significantly increase the share of energy from renewable sources

We have invested in renewable energy sources in our company. The **photovoltaic panels** installed in the first phase **will cover 10% of our annual electricity needs.**



We plan
to increase this share
to 30%
by 2025



Our commitments to the environment

For the sake of clean and accessible energy 2/2

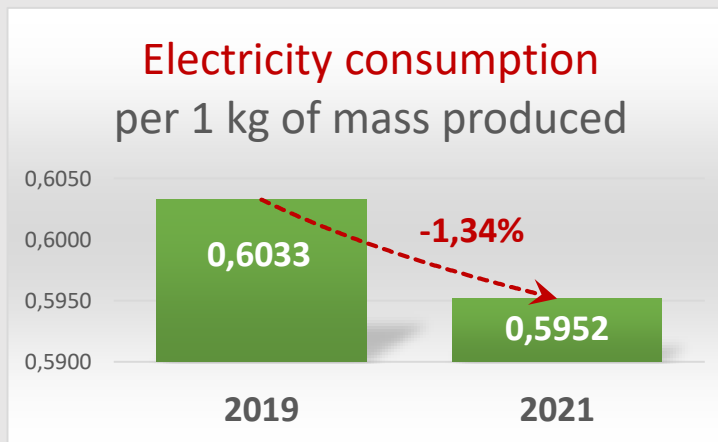


OUR OBJECTIVES:

- **Increase energy efficiency by 2025**

Until we are able to source completely renewable and clean energy, reducing the energy intensity of our production will be an important part of lowering our environmental impact. Therefore, we monitor and verify the amount of electricity consumed, comparing data from successive years and collating them with production volumes. We invest in energy-efficient solutions:

- when purchasing new equipment, we pay attention to and evaluate its energy intensity, choosing the most environmentally friendly solutions – the latest production machines make it possible to speed up the production process and thus reduce production time, which translates into energy savings and increased productivity;
- we use energy-efficient LED lighting, which reduces energy consumption by up to 80% with equally efficient lighting;



We plan
**to reduce electricity consumption
by 15% by 2025***

*compared to the base year of 2019 (per 1 kg of mass produced).



Our commitments to the environment

For the sake of sustainable cities and communities 1/2

11 SUSTAINABLE CITIES AND COMMUNITIES



OUR OBJECTIVES:

- **Responsible waste management**

We feel responsible for the state of the environment, so we support the reduction of waste, among other things, by collecting, segregating and recycling it. In 2002, we already signed an agreement with the Packaging Recovery Organisation (Organizacją Odzysku Opakowań) - we financially support the construction and functioning of the waste recovery system (which is confirmed by the "green dot" on our packaging).

We plan
**to have 100% recyclability
of the post-production waste**
(plastic, paper, glass, metal, aluminium),
coming from our company
as early as in 2022!



Our commitments to the environment

For the sake of sustainable cities and communities 2/2

OUR OBJECTIVES:

- **Reducing pollution and CO2 emissions**

The world's cities cover only about 3% of the Earth's surface area, yet they consume 60-80% of energy and produce 75% of carbon dioxide emissions. We want to play our part in lowering these rates, which is why we not only implement energy-saving solutions in our company, but we also take care of our closest surroundings:

- The areas around the building have been carefully planned and planted with vegetation, which not only has a soothing and relaxing effect, gives shade and the possibility for living organisms to develop, but also produces oxygen and absorbs CO2;
- We also built an artificial pond, which serves as a retention basin specifically designed to collect and store rainwater. We are pleased that it attracts numerous birds;
- We also said NO to littering - we gave up billboards and large-format advertising. Thus, we do not introduce the plastic materials from which they are made into the environment.



We prefer to surround ourselves with greenery and live closer to nature!



11 SUSTAINABLE CITIES AND COMMUNITIES





Our commitments to the environment

For the sake of responsible consumption and production - 1/3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



OUR OBJECTIVES:

Sustainable consumption and production seek to 'do something better and more with fewer measures'. In the case of the production and distribution of cosmetics, our activities are aimed at:

- **Reducing weight and standardising packaging**

- ✓ In 2022, we reduced the weight of the bottles used to package FLOSLEK products,
- ✓ We have started the process of unifying unit packaging – 2 volumes, 2 types of closure (pump and disc top), white colour.

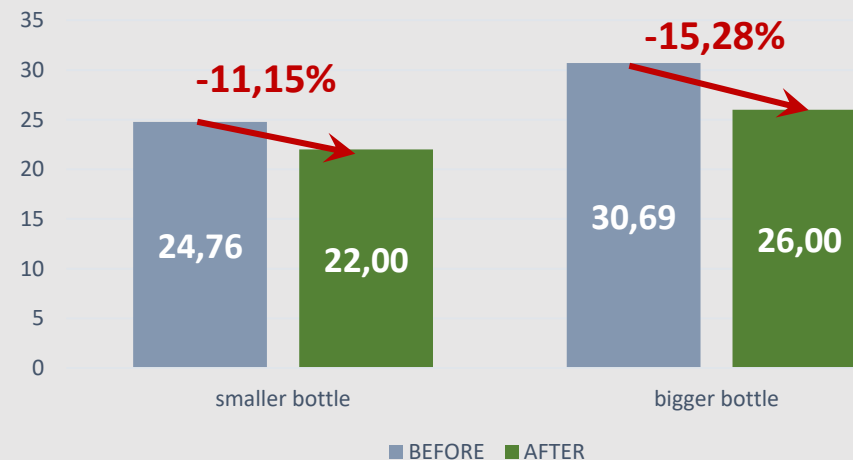


BEFORE



AFTER

Packaging weight in grams





Our commitments to the environment

For the sake of responsible consumption and production - 2/3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



OUR OBJECTIVES:

- An increase in the proportion of packaging produced using recycled materials (in line with our Recycle principle)

REcycle reduces the use of new materials and instead uses those plastics which already exist in the recycling cycle. In the cosmetics industry, packaging has to meet exacting standards, but whenever possible, we choose plastic packaging containing up to 50% recycle for our cosmetics.

In 2021, **62% of our plastic packaging** contained **up to 50% recycle**. We plan **to increase this share to 80% by 2025**.

- Using recyclable packaging

100% of the plastic jars that we use as cosmetics packaging are **100% recyclable**.

100% of the glass jars that we use as cosmetics packaging are **100% recyclable**.

97% of the tubes that we use as cosmetics packaging are **100% recyclable**.
Barrier tubes are an exception.





Our commitments to the environment

For the sake of responsible consumption and production – 3/3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



OUR OBJECTIVES:

- **Achieve environmentally friendly management of chemicals and all types of waste throughout their life cycle by 2030 and significantly reduce their release into the air, water and soil in order to minimise their adverse effects on human health and the environment**

At the FLOSLEK Cosmetic Laboratory, we use chemical raw materials on a daily basis – no cosmetic would be made without them. Therefore, we attach great importance to the proper handling of chemicals and waste.

We segregate all types of waste (by dedicated waste code) and place them in the designated area. Then, they are collected by a specialised company (Remondis). We also keep records of the waste on the BDO platform (waste database), where the data on the collector, the waste code, the quantity and the date of collection are entered. Once approved, a KOP document (waste transfer sheet) is produced. This gives us full control over the waste generated in our company and enables us to ensure that it is properly processed to minimise the adverse impact on the environment and human health.

- **Achieving sustainable management and efficient use of natural resources**

While developing the compositions of our cosmetics, we base them on ingredients of plant origin from all over the world. We consciously want to use only ethically sourced ingredients, with care and respect for the environment, for the benefit of future generations. Therefore, all our suppliers are subjected to a process of verification, classification and periodic evaluation. We indicate the percentage of naturalness on packaging, and we highlight ingredients in the INCI with an asterisk to help consumers identify them.



Our commitments to the environment

For the sake of the climate – 1/2

OUR OBJECTIVES:

Almost every activity we undertake affects climate change because it contributes to the emission of carbon dioxide and other greenhouse gases into the atmosphere. Awareness of climate change led us to analyse the company's operations and its carbon footprint. A time of ambitious challenges lies ahead...

- **Calculation of the company's carbon footprint**

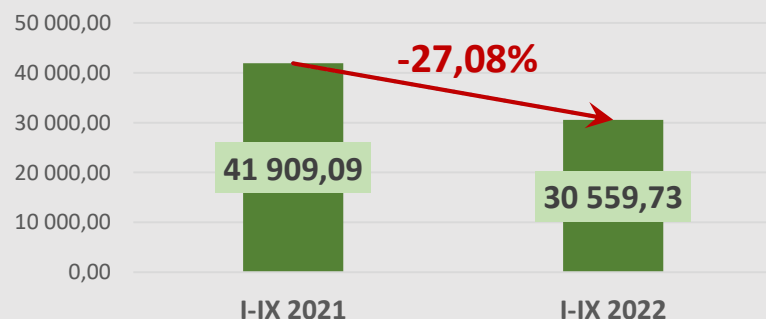
Ahead of us is the most important objective – calculation of the company's carbon footprint (in the first stage – by 2030 in scope 1 and 2). This step will bring us closer to setting a deadline for achieving climate neutrality.

- **Reduction of CO2 emissions**

- **We invest in production technologies with reduced CO2 emissions** – modern machines allow us to produce more efficiently and thus reduce CO2 emissions while maintaining the same production volume;
- **We aim to reduce fuel consumption and CO2 emissions** – to this end, we monitor and review the fuel consumption of our company cars and during the transport of our products, we have replaced our fleet with a more economical one, and we are optimising routes;
- **We reduce the amount of plastic used** – we offer creams in replacement packaging (so-called refills), which allows the use of plastic to be reduced by up to 80%, and we are abandoning the use of cellophane as packaging protection, using seals instead (this is also 80% less plastic).



Fuel consumption in litres





Our commitments to the environment

For the sake of the climate – 2/2

OUR OBJECTIVES:

- **Reduction of CO2 emissions**

We design our packaging to be recyclable.

- **We use mono-material packaging** for our cosmetics, so-called virgin material, which facilitates recycling;
- **We abandoned the use of so-called recycling “disruptors”** in packaging, e.g. metal elements (springs) in airless packaging or strong adhesives which make it impossible or difficult to remove labels;
- **We said NO to black packaging.** Black plastics present unique challenges in the recycling process as they cannot be detected or are poorly detected by the optical sorting technology used in traditional recyclers. In addition, coloured plastics greatly reduce reusability because the colour cannot be removed during the recycling process. Therefore, we decided to replace the black packaging elements with identical white ones.

- **Improving education, raising awareness on climate change mitigation**

We know how important communication and education are. We set ourselves the goal of continuing to promote recycling widely. We segregate all waste at our company, and we encourage our customers to do the same – we place labels on our cosmetics packaging identifying the material and indicating appropriate handling and recyclability. We strive to build consumer awareness. Helpful information and guidelines will be published on the packaging and the website www.floslek.pl.

**13 CLIMATE
ACTION**





Our commitments to the environment

For the sake of the seas and oceans – 1/2

Oceans cover three-quarters of the Earth's surface. They absorb approximately 30% of the carbon dioxide created by human activities and thus mitigate the effects of global warming. Clean water means life, and its limited resources should be especially protected, used sparingly, with care, and with future generations in mind.

OUR OBJECTIVES:

- Using only coral reef-friendly UV filters in cosmetic formulations

Research carried out in recent years show that the most common UV filters, as used in sunscreens, can adversely affect coral reefs. Therefore, out of concern for the cleanliness of the seas and oceans, we have decided to move away from using these ingredients in our cosmetics with SPF. In the new products, we are replacing them with modern, coral reef-friendly UV filter systems.



By 2024, all our cosmetics with SPF will be coral reef-friendly.





Our commitments to the environment

For the sake of the seas and oceans – 2/2

- **Reducing the production of formulations containing microplastics**

Primary microplastics, referred to as plastic microbeads, are used in cosmetics. A few years ago, numerical data indicated that they represented only between 0.1% and 4.1% of plastic waste accumulated in the marine environment (Report for European Commission DG for Environment). And while this is only a small fraction of all the sources of microplastics found in the aquatic environment, we should all strive to eliminate it.

The cosmetics industry itself has largely abandoned the use of primary microplastics/plastic microbeads as part of its internal sustainability regulations – in 2015, Cosmetics Europe's recommendation to abandon the use of microbeads in rinse-off products by 2020 came out. In our scrubs, we have replaced them with natural abrasives.

A legally binding definition of microplastic and regulations setting out a framework for its use in cosmetic formulations are currently under development by the European Commission. Their completion is scheduled for 2023.

We want to be well prepared for the new challenges, so at FLOSLEK Cosmetic Laboratory we continuously monitor ECHA (European Chemicals Agency) and European Commission communications on this issue. We follow the proposed changes, try to anticipate what raw materials might be considered microplastics and, where possible, look for natural substitutes for them. **This is a step towards abandoning the use of microplastics in cosmetic compounds.**





Our commitments to the environment

For the sake of land areas – 1/2

Forests cover 30.7% of the Earth's surface. They not only provide food security and shelter for different forms of life, but they also play a key role in combating climate change and protecting biodiversity.

OUR OBJECTIVES:

- Ensuring the protection and sustainable use of freshwater ecosystems

We have set up **our own water purification and treatment plant** – thanks to which we do not need to store water and the purification systems allow water to be reintroduced into the environment in a clean form. This action significantly reduces water consumption and the amount of industrial wastewater generated.

Post-production wastewater is regularly tested to confirm that it contains no harmful substances.



15 LIFE
ON LAND





Our commitments to the environment

For the sake of land areas – 2/2

OUR OBJECTIVES:

- **Forest resource protection**

- Starting in 2021, we have been gradually introducing **FSC®-certified paper unit boxes** for packing cosmetics. Our suppliers hold an FSC® CoC origin control certificate. In 2021, **62.8%** of all cardboard packaging was made from certified raw material.

We plan **to have 100% of our paper packaging FSC® certified by 2025.**

- We are constantly reducing the printing of advertising and commercial materials in favour of their electronic versions; for example, product catalogues distributed as PDF files. We have also done away with leaflet printing.

We reduced the amount of printed materials by 80% between 2019 and 2022.

- We have introduced an electronic system for the exchange of commercial documents and electronic records of production documentation. We do not print – we choose electronic versions. By implementing electronic signatures, we have reduced the amount of paper and postal items used. We prefer the electronic exchange of documents such as invoices, contracts, tax returns and letters to the authorities.

In 2022 alone, we plan to reduce the amount of paper used by 20%.





Our commitments to society





Our commitments to society

For the sake of health and quality of life

OUR OBJECTIVES:

- Innovative and safe solutions supporting skin care**

Our aim is to offer customers a wide and affordable range of the latest generation of facial and body care products to improve their quality of life.

We have two brands in our portfolio: FLOSLEK Laboratorium, with care cosmetics, the largest group of which are anti-ageing products, and FLOSLEK Pharma, which offers dermocosmetics to meet the needs of customers struggling with skin problems and requiring more specialised preparations to support therapies prescribed by dermatologists. Thanks to state-of-the-art technological and production methods, we create cosmetics that meet the highest standards. Their top quality is guaranteed by ISO 9001:2015 and GMP certificates.

- Employee safety**

High safety standards and zero tolerance of their violation, as well as training and competence development of FLOSLEK Cosmetic Laboratory employees are the goals to ensure a friendly and safe working environment. We have not recorded any accidents at work so far and we want to maintain such statistics.

- Supporting those most in need**

Over the past two years, we have donated nearly 100,000 of our cosmetics to hospital and laboratory staff, paramedics, children in orphanages and care centres, the police and the Great Orchestra of Christmas Charity volunteers. FLOSLEK products have also been donated to Ukrainians – both soldiers of the Ukrainian Guard and women and children who fled the war to Poland. These activities will be continued.

3 GOOD HEALTH AND WELL-BEING





Our commitments to society

For the sake of high quality education

OUR OBJECTIVES:

- Supporting staff competence development**

At FLOSLEK Cosmetic Laboratory, training is a constant element of improving our employees' qualifications and developing their potential. This translates into an improvement in the quality of their work and supports the development of the company. Through tailored training and participation in conferences or international industry meetings, our employees gain the knowledge necessary to create, implement and produce trend-setting and award-winning cosmetics. They also establish and develop close business relationships with contractors, which directly translates into our success on the market.

- Supporting the education of the youngest**

Caring for the vulnerable, including the youngest people, does not allow us to be indifferent to those who lack the means to develop their passions and talents. We support children through Noble Gift's Academy of the Future, funding scholarships and opening the door for them to realise their dreams of getting a good education that will allow them to get an interesting job and give them a better start in adult life.

4 QUALITY EDUCATION





Our commitments to society

For the sake of gender equality

OUR OBJECTIVES:

- **Maintaining the proportion of women in senior and middle management positions**

At FLOSLEK Cosmetics Laboratory, as many as **63% of the employees are women. Among managers and mid-level professionals**, this percentage is higher than the average for companies in Poland (46%) and amounts to **70%**.

- **Ensuring fair, equal pay and additional benefits for work of equal value**

Following the company's pay scales helps us to achieve this goal.

- **Appreciating and supporting the care of a parent for a child or other dependent person by providing services, resources or information**

To best achieve this goal, we have implemented mechanisms to support parents, to whom we offer:

- reduced working hours for breastfeeding mothers,
- working from home for mothers with young children,
- subsidised holidays.

5 GENDER
EQUALITY





Our commitments to society

For the sake of clean water and sanitation

OUR OBJECTIVES:

- **Efficient use of water resources in production processes**

This was made possible by the fact that in 2016 we set up our own water treatment and purification plant – now we do not need to store water and the purification systems allow water to be reintroduced into the environment in a purified form.

- **Eliminating the risk of releasing hazardous chemicals and materials into the environment**

Just as important as controlling chemicals and pollutants in the production process is limiting their access to the environment. To minimise the risk of releasing hazardous substances into the soil, groundwater and air, at FLOSLEK Cosmetic Laboratory we have developed and implemented strict procedures for handling hazardous materials and chemical substances.

Beforehand, waste from chemicals used in the production process is collected by a specialist company (in our case, we entrusted this task to Remondis), it is stored in a separate area, away from other waste, on pallets (so that it does not come into contact with the soil). We additionally protect them with a foil that prevents the chemicals from escaping out of the packaging. Thus prepared and stored, they await collection and disposal/recycling at dedicated facilities.

6 CLEAN WATER AND SANITATION





Our commitments to society

For the sake of reducing inequalities

OUR OBJECTIVES:

- **Improving access to basic goods and services for people living in poverty**

Skin hygiene and care are among the basic needs of every human being. However, there is still a sizeable group of people who, due to poverty, cannot afford to buy cosmetic products. Our aim is to reach them with our formulations. This is achieved through cooperation with local and national institutions and foundations, which we regularly support by donating our cosmetics. As a result, **FLOSLEK products reach the wards of nursing homes, single mothers' homes or orphanages.**

We aim not to dispose of unsold products, but to ensure that they are distributed within their shelf life.

- **Supporting people in difficult situations**

There is probably not a person among us who would remain indifferent to the events of recent months across our eastern border. The evil that is spreading right next to us has mobilised the Polish people to act on an unprecedented scale. Our company also joined in these activities. To date (03/08/2022), we have donated more than 11,000 products – both to women and children sheltered from war in Poland and to Ukrainian soldiers.

But this is not the only help. A group of Ukrainian women have joined our team (they now make up 15% of the workforce), and thanks to their stable employment situation, they now have a secure livelihood and can look forward to the end of the war with greater serenity.

**10 REDUCED
INEQUALITIES**





Our commitments to employees and the environment





Our commitments to employees and the environment

For the sake of economic growth and decent work – 1/2

8 DECENT WORK AND ECONOMIC GROWTH



OUR OBJECTIVES:

- **Protecting workers' rights and promoting a decent and safe working environment for all employees**

At FLOSLEK Cosmetic Laboratory, we operate a transparent employment policy. We employ* 91 people, 90 of whom have signed an employment contract – 1 person has signed a commission contract. 46% of our employees have been working with us for more than five years.

The remuneration regulation for employees of the FLOSLEK Cosmetic Laboratory consists of three key elements. The first is a remuneration policy based on transparent and consistent remuneration principles for all employees linked to the company's strategy. The second element is the bonus policy, which is one of the components of the incentive system implemented at FLOSLEK Cosmetic Laboratory. By contrast, the third element is non-wage benefits. Each employee has wide access to non-wage benefits, such as:

- medical care,
- life insurance,
- Employee Capital Plans,
- subsidised postgraduate studies and staff training,
- benefits from the Company Social Fund.
- an extra day off to celebrate your birthday,
- the opportunity to purchase FLOSLEK products on preferential terms,
- subsidised MultiSport cards.

*data as of 30/09/2022



Our commitments to employees and the environment

For the sake of economic growth and decent work – 2/2

8 DECENT WORK AND ECONOMIC GROWTH



- **Implementing a sustainable supply chain strategy**

As a cosmetics manufacturer, we are both the recipient of goods and services and a supplier of finished products, thus we form one of the links in a complex supply chain. We understand how important it is today that every part of this chain functions to protect the climate and the environment.

For cosmetics, we choose ingredients and packaging which have the least environmental impact when sourced and manufactured. We involve our partners in the implementation of the objectives that we set, guaranteeing the highest standards while respecting the environment. How do we do it? Every year we evaluate our business partners and update the List of Qualified Suppliers of raw materials, packaging and services. We select those who maintain quality systems and ensure ethical business conduct.

- **Implementing effective mechanisms to identify child and forced labour within global supply chains and remedies when abuses are detected**

This is made possible through the implementation of the FLOSLEK Supplier Code of Conduct. Both we and our suppliers consider child labour, forced labour and slave labour to be unacceptable. We confirm this with the appropriate signature on the aforementioned document before cooperation is established. It allows for inspections to verify compliance with the provisions of the code. Any breaches will lead to termination of the cooperation.



Our commitments to employees and the environment

For the sake of innovation, industry and infrastructure

OUR OBJECTIVES:

- Upgrading of the infrastructure

Implementation of a policy of sustainable development requires us to continuously and systematically invest in infrastructure and technologies that will allow us to use resources more efficiently and make our production processes more environmentally friendly. For this purpose:

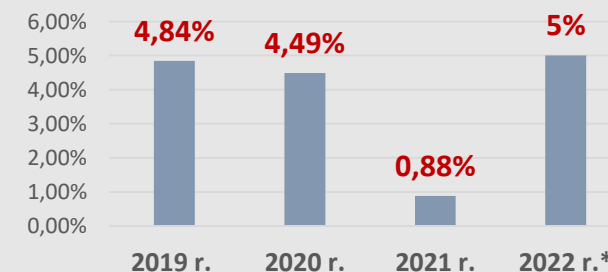
- We have completed the first stage of the transition to green energy – we have installed photovoltaic panels that will cover 10% of our electricity needs. We plan to invest further in this technology.

With the panels, we want to increase the share of renewable energy to 30% by 2025.

- Investing in research and development

At FLOSLEK Cosmetic Laboratory, we have our own state-of-the-art R&D (Research and Development) laboratory. Investment in modern equipment, training and the implementation of new technologies allow us to produce high-quality cosmetics and minimise our company's negative impact on the environment. Every year, experienced specialists develop dozens of new formulations, as well as refresh those already available on the market, taking care to use natural ingredients with proven efficacy from reliable sources that are safe for the environment.

Investment in research and development



* forecast

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE





FLOSLEK
LABORATORIUM

Thank you for your attention!