

2019 NON-FINANCIAL ANNUAL REPORT



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A WORD FROM THE CHAIRMAN AND CEO

STEWARDS OF OUR LEGACY

As a family business with more than a hundred years of history, established as an important actor in our sector, we pride ourselves on staying faithful to the priorities that make us stand out. We stand firm in our commitment to ensure not only that our activity benefits our customers, suppliers, employees and shareholders, but also that we are respectful of the environment, the communities in which we operate and society in general, always with a long-term vision in mind.

From our beginnings our mission has always been to leave behind a bigger and better company to future generations, to give continuity to our activity and, therefore, to be sustainable. We aim to do everything in our power to minimize our impact in a world with limited resources, caring for people and putting in place governance mechanisms that guide our decision-making and behavior.

In 2014 we aligned our environmental strategy with the most important international standards and in 2015 we did the same with the United Nations Sustainable Development Goals (SDGs),¹ focusing on those where we could achieve the greatest impact. Since then, we have naturally expanded our contribution to these global goals in other aspects of our day-to-day activity with the help of our employees, the greatest asset of Puig since our foundation.

Every decision we make projects us into the future and makes us grow as a company.

With this vision, in 2019 we began the second year of Plan Da Vinci, our strategic plan – an ambitious year with a renewed purpose for the organization, focusing on our core fragrance business and enhancing the expansion of the category through innovation.



¹ 2030 Agenda for Sustainable Development, adopted by the United Nations in September 2015.

«OUR PRIORITY IS TO BUILD LOVE BRANDS. BRANDS THAT GENERATE ENGAGEMENT, EMOTIONAL CONNECTION AND LOYALTY. BRANDS THAT TELL GREAT STORIES, THAT ARE AUTHENTIC AND THAT CONNECT WITH OUR EMOTIONS.»

Several phenomena have shaken up our sector over the past few years: the digital revolution, the smartphone generation, the explosion of cosmetics, the disruption of channels and the growth of Asian markets. In addition to these tectonic shifts, we have had to face other challenges that have changed our reality and that require us to continuously adjust our strategy.

Our priority is to build love brands. Brands that generate engagement, emotional connection and loyalty. Brands that tell great stories, that are authentic and that connect with our emotions.

We have continued along the path of developing skills in the digital world and in the retail sector, taking advantage of the opportunities presented by the digital revolution and identifying opportunities through our innovation hub: Puig Futures. Through this hub we have promoted a cultural change towards innovation from different perspectives.

Our 2020 Sustainability Program continues in place with most of the objectives that we had set ourselves achieved or even exceeded. We have been able to continue reducing our carbon footprint despite the growth of the business, thanks to a greater awareness and involvement of all the teams in our organization.

We extend our commitment to society beyond the communities in which we have a direct impact, promoting our Invisible Beauty program, which also allows us to offer the opportunity to those employees with a social vocation to participate as volunteers.

This year we started working on a new strategic plan that will guide our efforts until 2023. This new plan contemplates the construction of a portfolio of brands that will allow us to control our own destiny. If we are able to build love brands, then we will have created the conditions for our long-term future; a future in which we will be able to continue to grow and of which our shareholders and employees will be proud.

All this enables us to move forward and to put in place the measures necessary to ensure that our legacy lives on and is passed on to future generations, staying faithful to our vision as a family business and our desire to make a greater contribution to society.



Marc Puig
Chairman and CEO

REPORTING FRAMEWORK

This document containing the company's Non-Financial Information Statement has been drafted in line with the requirements established by Law 11/2018 of December 28, 2018 on Non-Financial Information and Diversity, approved on December 13, 2018 by the Spanish Congress of Deputies and modifying the Commercial Code, the consolidated text of the Capital Companies Act and Law 22/2015 on Account Auditing, in matters of non-financial information and diversity.

The data contained in this Non-Financial Information Statement corresponds to Puig S.L. and its subsidiary companies, hereinafter Puig. Those cases for which the information is outside of this scope are duly specified.

The Non-Financial Information Statement is an annual document, and this is the second year in which Puig has drafted this report.

The data required by the aforementioned Law 11/2018 contained in this report has been duly verified by an external body. In addition, this document includes data that Puig presents voluntarily to add more context and additional information to the content, and that does not require verification.

For general queries about this document, our different stakeholders may contact the Communications Department at Plaza Europa, 46-48, 08902, L'Hospitalet de Llobregat, Barcelona, or at [**press@puig.com**](mailto:press@puig.com).



ABOUT US

Puig is a family business based in Barcelona which was founded in 1914 and is dedicated to the fashion and fragrances sectors. It is currently managed by the third-generation of the Puig family. Puig creates distinctive brands and olfactory experiences that connect with people's emotions. Our aim is to define the future of the fragrance category, excelling in innovation and growth.

Our character is defined by the values that have guided us in the consolidation of a long-term, profitable and sustainable business project.



Integrity

We always try to act the right way, respecting the law, the Ethical Code, and the established norms, policies and internal and external processes.



Respect

We treat others with equality, dignity and courtesy, and we always consider the impact of our decisions.



Excellence

We believe that everything can be done even better and with better results, and we are committed to continuously improving those aspects of the company in which each of us are involved.



Trust

We have faith in others and assume they are competent and honest and that is why we act honorably and trust in the intentions and capabilities of our colleagues.



Flexibility

We are not afraid of change and we are able to adapt to any challenges and opportunities that may arise. We encourage curiosity and we always adapt to the world in which we live and work.



GEOGRAPHICAL PRESENCE

We have two main offices, from which our fragrance business is managed:

Barcelona: Plaza Europa, 46-48
08902, L'Hospitalet de Llobregat, Barcelona
Paris: 65-67, Avenue des Champs-Élysées
75008, Paris

We also have premises in the following locations:

NICHE BRANDS

Penhaligon's	1 Cathedral Piazza, 3 rd -4 th Floor 123 Victoria Street, London SW1E 5BP (United Kingdom)
L'Artisan Parfumeur	1, Rue Charles Tellier – Zone industrielle de Beaulieu, 28000, Chartres (France)

FASHION BRANDS

Carolina Herrera	Headquarters	501 7 th Avenue, New York, NY 10018 (USA)
	Flagship Store	954 Madison Avenue, New York, NY 10021 (USA)
Dries Van Noten	Headquarters	Godefriduskaai 36, 2000 Antwerp (Belgium)
	Flagship Store	Het Modepaleis, Nationalestraat 16, 2000 Antwerp (Belgium)
Jean Paul Gaultier	Headquarters	325, Rue Saint-Martin, 75003 Paris (France)
Nina Ricci	Headquarters	39, Avenue Montaigne, 75008 Paris (France)
	Flagship Store	39, Avenue Montaigne, 75008 Paris (France)
Paco Rabanne	Headquarters	17, Rue François 1 ^{er} , 75008 Paris (France)
	Flagship Store	12, Rue Cambon, 75001 Paris (France)

PRODUCTION PLANTS

Spain	Barcelona	Carrer Potosí, 21, 08030 Barcelona
	Vacarisses	Carrer Berlín, 12 (Pol. Industrial Can Torrella), 08233 Vacarisses, Barcelona
	Alcalá	Calle Blas Cabrera, 18 – La Garena, 28806 Alcalá de Henares, Madrid
France	Chartres	1, Rue Charles Tellier – Zone industrielle de Beaulieu, 28000 Chartres

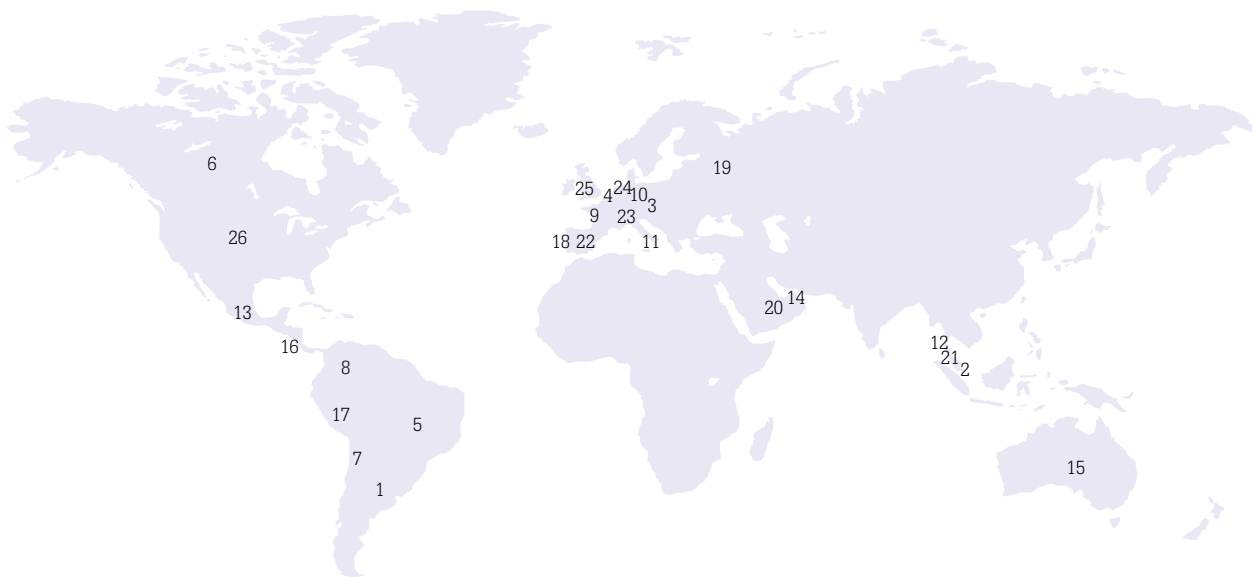




INTERNATIONAL PRESENCE²

1. Argentina (S)	14. Middle East (RO in Dubai)
2. Asia Pacific (RO in Singapore)	15. Oceania (RO)
3. Austria (S)	16. Panama (RO)
4. Belgium (S)	17. Peru (S)
5. Brazil (S)	18. Portugal (S)
6. Canada (S)	19. Russia (S)
7. Chile (S)	20. Saudi Arabia (S)
8. Colombia (S)	21. Southeast Asia (RO in Singapore)
9. France (S)	22. Spain (S)
10. Germany (S)	23. Switzerland (S)
11. Italy (S)	24. The Netherlands (S)
12. Malaysia (RO)	25. United Kingdom (S)
13. Mexico (S)	26. United States (S)

In 2019 our products were sold in more than 150 countries.



² RO: Regional Office. S: Subsidiary.

PORTFOLIO



		OWN BRANDS	LICENSES AND CELEBRITIES
FASHION		CAROLINA HERRERA PACO RABANNE JEAN PAUL GAULTIER NINA RICCI DRIES VAN NOTEN	
FRAGRANCES AND COSMETICS	PRESTIGE	CAROLINA HERRERA PACO RABANNE JEAN PAUL GAULTIER NINA RICCI	PRADA PARFUMS
	NICHE	PENHALIGON'S L'ARTISAN PARFUMEUR ERIC BUTERBAUGH LOS ANGELES	COMME DES GARÇONS PARFUMS CHRISTIAN LOUBOUTIN
LIFESTYLE	INTERNATIONAL FRAGRANCES		ANTONIO BANDERAS UNITED COLORS OF BENETTON SHAKIRA
	REGIONAL FRAGRANCES	AGUA BRAVA QUORUM	ADOLFO DOMINGUEZ AGATHA RUIZ DE LA PRADA PACHÁ
	LOCAL FRAGRANCES	VICTORIO & LUCCHINO BRUMMEL ROYAL REGIMENT LAVANDA AÑEJA AZUR ANOUK ZINNIA SPORTMAN	DON ALGODÓN SPRINGFIELD BUSTAMANTE PAULA ECHEVARRÍA JULIANA PAES MALÚ MARC MARQUEZ ATTANA ARISTOCRAZY RAPSDIA
	TOILETRIES	AGUA LAVANDA PUIG HENO DE PRAVIA	
LOCAL CONQUERORS		GRANADO LOTO DEL SUR KAMA AYURVEDA	

COMMITMENT TO SUSTAINABILITY

In 2014, during the celebration of our 100th Anniversary, we made a commitment to be a responsible and sustainable company and launched a Sustainability Program which established a series of objectives to be reached by 2020, together with guidelines on how to reach them. All the actions described in the Sustainability Program seek, directly or indirectly, to strengthen our commitment to a reduction of emissions throughout the entire value chain.

By 2017 we had already exceeded most of these objectives so we re-designed our roadmap for the following three years and took a further step to bring our strategy into line with the most significant international environmental standards, such as the Paris Agreement on climate change, the EU Action Plan for the Circular Economy, and in particular, the UN SDGs, or Sustainable Development Goals (focusing on those where we could achieve the greatest impact).

Although our Sustainability Program has focused significantly on environmental aspects, we have continued to work on two other fundamental sustainability aspects: people and society, and governance through policies, processes, decision-making and commitments.

Our commitment to this social aspect is reflected in our relations with our employees, the communities in which we work and consumers, and in our willingness to make an impact through corporate social action initiatives in those settings in which we do not operate directly.

And our commitment to governance underlies our approach towards ensuring the sustainability of the company through governing bodies, decision-making, building a strong company through its brands and a commitment to best practices.

Throughout this report we want to highlight, for the first time, our firm commitment to aligning ourselves as much as possible with the Sustainable Development Goals, as well as to reflecting the holistic and comprehensive approach that we want sustainability to have at Puig.

Our contribution to ODS



COMMITMENT TO PEOPLE AND SOCIETY

THE PEOPLE AT PUIG

Faithful to the values reflected in our Ethical Code, which guide us as a family business, we care about the growth of our people throughout every stage of their career at Puig.

Recruitment

For our talent recruitment processes we use a global tool in our Experience Puig intranet which allows us to register all our interactions with candidates, always in compliance with the applicable laws and regulations and in line with the commitments reflected in our Ethical Code.

This recruitment tool increases our efficiency, enabling us to publish job offers automatically on whichever digital platforms we choose, monitor the status of each process in real time and extract data for analysis to determine whether improvements are required. In the same way, it improves the candidate experience, since the interaction is more agile, positive and transparent.

As stated in our Ethical Code, we are committed to not discriminating on the basis of gender, race, religion or any other characteristic, and to ensuring that our recruitment processes guarantee equal opportunities. We believe diversity to be a fundamental asset for our organization, since it stimulates innovation and creativity, in addition to helping us understand the different environments in which we operate.

In 2019 we launched 720 recruitment processes, resulting in 441 hires (326 women and 115 men).





Inside Puig

We want to enable our employees here at Puig to develop their careers in line with our values and objectives, always in compliance with the applicable legislation and taking that extra step when our resources allow us, offering them a suitable working environment, looking after their growth and well-being and providing uniform and transparent working conditions.

Onboarding

We take extra care of our employees from their first day at Puig. As part of our desire to constantly innovate, in 2019 we worked to improve some of our processes and systems to make the entry of new hires into the workplace as efficient and satisfactory as possible.

- We launched the onboarding module on the Experience Puig intranet in Spain, integrating all the welcome processes for new hires into a single system, standardizing the process globally and making it more thorough. Since this is the same platform that we use for recruitment, it also helps us to optimize all the administrative management around contracting, unifying data collection and automating interaction with SAP.

To complement this integration, we designed a system allowing us to define all the steps necessary for integrating new hires in each position. The system launches these steps automatically, ensuring that the new employee's first day on the job is as efficient as possible. This system, implemented in Spain in 2019, will be extended to the rest of the affiliates from 2020 and will allow each of them the flexibility to define their own requirements matrix for each position based on their own context.

- We drafted a protocol for immersing new hires into our culture, values, practices and métier. It lasts for a year and consists of four modules that cover the most relevant aspects of our day-to-day and our activity, implemented through Workplace via a collaborative and informative community called Onboarding Journey. In 2019 it was deployed in Spain and France and the plan is to apply it to the remaining affiliates over the course of 2020.

Our optimization of the onboarding process aims to provide the best experience possible for new hires from the moment they join and is motivated by our desire to accompany our employees from the outset of the employment relationship.



Our day-to-day

Our day-to-day is governed by the company's Ethical Code, from which both global and local processes and policies are derived, ensuring that the actions of our employees are consistent with the values that define us.

Looking after employees in the work environment

We try to offer the best possible workplace experience for our employees in terms of working hours and the work environment, as well as in guaranteeing non-discrimination in processes and decisions.

The working hours at each of our premises are determined based on the legislation, the applicable collective agreements and, additionally, on what is agreed with those who work at Puig. Whenever possible we try to introduce measures to optimize working hours in all our units, always respecting these three conditions.

Although an attendance control system already existed for production line operators in Spain, in 2019, motivated by new legislation coming into force,³ this measure was extended to all employees in Spain.

Aware that a healthy work-life balance is important for the well-being of the people who work at Puig, and in line with our commitments to equality and dignity in our Ethical Code, we offer all our employees work-life balance measures which comply with the current legislation in each of the environments in which we operate. Our employees are able to take maternity and paternity leave without restrictions if they so wish and their return to the company is guaranteed. Furthermore, they can freely benefit from any work-life balance measure provided for in the applicable regulations. Likewise, and for those groups and units where it is feasible, Puig has implemented flexible working and intensive working hours on Fridays.

In 2019, the following measures were implemented to facilitate a healthy work-life balance:

- We completed the internal Let's Switch initiative aimed at speeding up the digital transformation defined in our Strategic Plan. We updated technological devices and adopted new collaborative tools (such as Office 365 and Zoom) to promote a new digital way of working based on efficiency, collaboration, mobility and cybersecurity, improving interaction regardless of geographical distances. This initiative began at the Barcelona headquarters in 2018 and was progressively deployed in all markets up to the end of 2019.

³ Article 10 of Royal Decree-Law 8/2019, of 8 March, modifying article 34 of Royal Legislative Decree 2/2015, of 23 October, which approves the consolidated text of the Workers' Statute Law, introducing in section 9 the obligation to register the working hours daily.



- Aware of the changing environment and new opportunities for organizing work time and work-life balance, a flexible work pilot project was launched at our Russian affiliate. This pilot project lasted nine months and addressed two aspects: flextime and teleworking. At the end of the project, the results were assessed, enabling us to determine whether to extend it to other units and, where appropriate, on what terms.
- At the end of 2019, the Puig Digital Disconnection Policy was approved as a global framework for all units, but with the requirement that it be adapted to the laws of each country. This policy was one more step towards a better work-life balance.

In 2019 in Spain, 43 children were born to Puig employees. All the parents were able to resume their corresponding paternity and maternity leave, distributed as follows:

PATERNITY AND MATERNITY LEAVE		
	Taken	Waived
Men	11	1
Women	31	-

Those employees wishing to do so were able to resume their job positions afterwards.

- 32 employees rejoined their jobs with no change.
- At the end of the year, nine employees were still on leave.
- At the end of the year, one employee was still on unpaid maternity leave.

We are working to improve access to employee information and data in all units for the heads of Human Resources. In 2019 we implemented a dashboard that provides real-time information on Puig employees. This ensures that we all work with the same criteria and processes, helping us to be more efficient in our management and more objective and transparent.



In order to offer the best possible working environment, we regularly plan improvements which go beyond what is legally required, to ensure that our work centers comply with different international standards:

- ISO 9001:2015 Quality Management.
- ISO 14001:2015 Environmental Management.
- ISO 45001:2018 Occupational Health and Safety.
- ISO 22716: 2008 Cosmetics — Good Manufacturing Practices.

Our Integrated Management System, certified by TÜV Rheinland, describes all the processes implemented for the management of workers' health and safety:

- Risk assessment and control.
- Emergency management.
- Health surveillance management.
- Management and investigation of accidents.
- Jobs with special risks.
- Coordination with external companies.
- Identification and compliance with legal requirements, etc.

The scope of this certification includes the company's four production plants and the Barcelona headquarters. The Paris offices, on the Champs-Élysées and Rue Washington, implemented the processes in 2019 and their certification is scheduled for the near future.

In 2019 the following actions were carried out in relation to occupational health and safety:

- Implementation of a new health and safety management software, SmartOSH, in all premises in Spain. Its deployment at the Chartres production plant is scheduled for 2020.
- Implementation of smart storage strategies in the company's four factories to automate the placement of raw materials based on their hazard level and incompatibility.
- Definition of the action plans derived from the study carried out in 2018 in all Puig affiliates. The implementation of these action plans will be extended in 2020.

Our commitment to health and safety meant that on 21 February 2019, we had gone a year without any accidents resulting in medical leave at the Alcalá plant.



We monitor OHS⁴ data monthly in all our Spanish units and at the Chartres plant. The headquarters in Paris is not yet integrated into the monthly reporting, but we have access to real-time data for monitoring⁵ purposes.

At year-end, there were no employees on medical leave due to occupational causes.

Committed to training and mobility

We are aware that our future as a company relies on our internal talent having the necessary skills to adapt to a rapidly changing environment and being able to acquire new knowledge and ways of thinking. Our people management strategy places growth and development at the heart of each employee's experience.

Our development programs adopt this approach for all employees, from entry-level right up to senior management, to ensure that our internal talent is trained for the challenges to come. In 2019 the global budget dedicated to training was €2.8 million (-6%).

We are also aware that we must search the market for those skills that we know we will need, but which we do not have internally in the short term. This allows us to be more successful in surviving and leaving behind a solid company for future generations.

The different development initiatives at Puig are structured around four lines of action:

- Strategy: to ensure that the business has the main skills and areas of knowledge considered necessary for the execution of the strategy. In 2019 the Puig Digital Academy was launched at all levels of the organization, a program that integrates different initiatives and blended learning experiences and that will be extended in 2020. The virtual offer is based on an online platform which offered personalized learning plans to satisfy the needs and knowledge requirements of more than 750 people in 2019. The face-to-face aspect consists of a series of meetings with experts aimed at the teams most involved in the digital transformation of the business in each region. The Puig Digital Academy is a key initiative that is aligned with the essence of the strategic plan, with the evolution of the environment and with the growth plans of the business. The impact among those who participated in 2019 was extraordinary, since apart from the spirit of competition that emerged between the teams, the team making the most progress was awarded the opportunity of obtaining first-hand experience with leading companies in the digital environment.

⁴ Occupational health & safety.

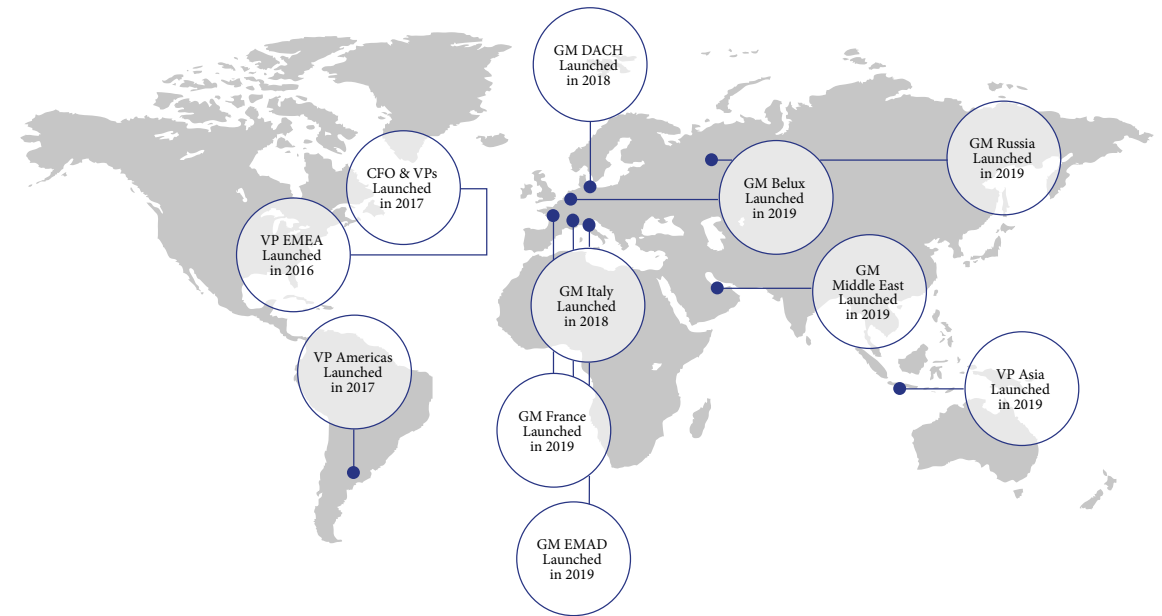
⁵ In Paris, 280 people were included in the reporting scope and, therefore, although we presented two-year's worth of data, the scope is not comparable.





- **Leadership:** we provided leadership and people management training to various groups in the organization to enhance their ability to inspire their teams in order to achieve the best possible results and to transmit the culture and values of Puig to the business. An example of this type of initiative is the Intact Teams program, offered to the Vice Presidents, General Managers and their teams, which in 2019 was extended to Belgium, EMAD, France, the Middle East and Russia.

INTACT TEAMS PROGRAM 2019



- **Functional:** we seek to improve skills by métier. An example is the Packaging School, a long-term development program specifically designed for all our packaging engineers with the aim of developing skills, retaining talent and promoting the cooperation of our teams in Spain and France. Launched in 2017, the program is structured around four pillars: technical knowledge, product development, innovation and key competencies. In 2019, the 39 people who work in packaging at Puig participated in the program.



- **Individual:** each individual employee has the opportunity to receive training through the Performance & Development Journey, an annual process in which each manager sets a series of objectives for his or her employees (quantitative, linked to the business, and qualitative, linked to the competency model), and together they draw up a personal development plan based on each employee's individual appraisal. Development plans are individual, with the aim of increasing the capability of each team member to perform their current role and to prepare them for future positions. It is a process with a broad impact in which a large number of employees take part.

We try to identify and develop people with the motivation and ability to grow professionally within the organization, not only to fill leadership positions but also to ensure that the company's culture and values are transmitted from one generation of employees to the next. To achieve this, we have created a set of three talent development programs that operate at different levels in the organization with different, but in turn complementary, objectives.

- **Graduate Program – Building Foundations**

- We want to identify young candidates with potential who are currently outside the organization, attract them to the company and offer them valuable experiences to encourage them to carry out their professional careers at Puig.

- **Talent Pool Program – Forging Futures**

- We want to locate and develop emerging talent within the organization, with the aim of preparing these employees to take on middle management roles in different areas of the company, provided there is a vacancy.

- **Janus Program – Inspiring Leaders**

- We identify highly skilled people within our company with the potential to occupy management positions in the future, give them visibility, provide them with knowledge about the company's strategy, and prepare them to take on these roles.

In 2019, 1,761 Puig employees joined the Performance & Development Journey program, compared to 1,771 in 2018.

As well as these training opportunities, and with the aim of encouraging internal mobility as a fundamental way of helping our employees grow, we continue to promote the Job Opportunities Portal as part of Experience Puig, launched in 2017, in all fragrance business units.



This portal advertises all the job vacancies at Puig, including those that are published externally. This means that we open up opportunity to all our employees who wish to apply and ensures that our internal promotion process is transparent. Although team managers are well aware of the potential and promotion aspirations of their employees, the portal allows other managers to be aware of the desire of any employees to transfer to another area.

The Job Opportunities Portal is leading to a significant cultural change in the way in which vacancies are handled by managers, since they are now obliged to publish them and, therefore, to receive applications from candidates within any part of the organization. It also allows us to detect those employees who wish to transfer between countries, something that until now we have not been able to identify successfully.

Ethical commitment to our people

We use the principles and concepts included in our Ethical Code to guide the way we treat the people who work at Puig. For this reason, we aspire to take further steps in equality issues at all levels and in all aspects of the professional lives of our employees.

In Spain, in 2019, the Standing Committee for Equality continued its work with meetings that focused on reviewing everything that has been done so far, on adjusting to the new regulations regarding equality plans after the approval of new legislation⁶ and on ensuring the new regulatory requirements are met. In addition, this year new committee members were chosen.

We also have mechanisms in place to ensure objectivity in the process for determining remuneration. These include the delegate committee of the Board of Directors, which annually monitors and approves the general guidelines, and the use of external consultants.

Three factors are taken into account in determining the remuneration for the year:

1. The provisions on this matter established in the Collective Agreement for those units where it applies.
2. The evolution of the company.
3. Merits and individual performance of each employee.

⁶ Royal Decree Law 6/2019, of 1 March, on urgent measures to guarantee equal treatment and opportunities between women and men in employment and occupation.



We undertake to observe scrupulously the legislation regarding the minimum wage in all the countries in which we operate. However, differences in the standard of living of these different countries can affect the averages by category, increasing or decreasing them, depending on the number of people per country.

The evolution of the average remuneration by professional category was as follows in 2019:⁷

AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY (€)		
	2018	2019
Top executives	224,412	235,466
Sales and Marketing	58,762	61,323
Brand Ambassadors	14,917	14,105
Technical employees	47,174	50,416
Administrative employees	42,033	45,848
Production	31,039	3,554

The decrease in the average salary of the Brand Ambassadors category is due to the incorporation into the Puig permanent workforce of 330 people in Mexico.

The average remuneration of directors and top executives in 2019 was €279,039 (+2.7%), including annual base salary, annual bonus, and variable salary linked to the strategic plan.

In terms of remuneration, we also monitor the salary gap⁸ annually between comparable jobs with a defined Hay level.

SALARY GAP		
	No. of people	Gap
2018	3,517	0.30%
2019	4,211	0.36%

⁷ Calculation taking into account the annual base salary and the annual bonus.

⁸ We consider comparable jobs to be those between Hay grades 5 and 25.





SALARY GAP

	2018	2019
Top executives	5.5%	4.0%
Others	0.0%	0.2%

In compliance with the Avenir Law,⁹ we publish our equality index for 2019 in France. The overall equality index of all our units in France was 76/100 (+11.7%). The result is calculated out of a total of 100 points, based on five criteria:

- Differences in salary between men and women (40 points).
- Differences in salary increase between men and women (20 points).
- Differences in annual promotion (15 points).
- Increase in salary upon return from maternity leave (15 points).
- Number of women among the 10 highest salaries in the company (10 points).

Puig guarantees all its workers the freedom of association and the right to collective bargaining, as stipulated in the agreements of the International Labor Organization. In addition, we respect the legal representation of Puig employees in those cases where it is applicable. In 2019, workers had legal representation at the following work centers:

- In Spain, the three production plants (Alcalá, Barcelona and Vacarisses).
- In France, the Chartres plant and the offices of the fashion and fragrance businesses, all located in Paris.
- In Argentina, the Brand Ambassadors collective.
- In Mexico, the Brand Ambassadors collective.

Employee-company dialogue is channeled through the representative bodies in the terms provided for by law. Both in Spain and in France there are representative bodies which assess and decide upon occupational health and safety issues in which both the company and workers participate:

- Spain: Health and Safety Committees (HSC) for the production plants of Alcalá, Barcelona and Vacarisses. The percentage of workers whose place of work is monitored by the organization and who are represented by formal employee-company health and safety committees is 47% in Spain (percentage corresponding to 100% of the workers in the three factories in this country).

⁹ Law 2018-771, of 5 of September 2018 “pour la liberté de choisir son avenir professionnel”.





- France: HSC both in the Chartres production plant and in the Champs-Élysées headquarters. The percentage of workers whose place of work is monitored by the organization and who are represented by formal employee-company health and safety committees is 100% in France.

Since 2017, Puig channels information to its workers through the internal social network Workplace by Facebook, which makes communication more agile and allows all workers to share, in a work context, their proposals and knowledge with other teams.

In the two countries with the most employees, Spain and France, the labor relations of 100% of the workers are governed by the applicable sectoral collective agreements in accordance with the activity carried out.

Additionally, in Argentina and Mexico, the Brand Ambassadors collective is subject to the corresponding collective agreement.

We are making progress in removing barriers to our employees whenever we detect the need. We are committed to accessibility in all our facilities and we comply with current regulations.

Sensitive to the integration of people with special needs, in 2019 we acted on three fronts:

- Hiring at Antonio Puig, S.A. 22 employees (+5%) with a degree of disability greater than 33%.
- Hiring part of the temporary workforce in the Alcalá plant through the Integra Foundation, which works to promote the employment of people at risk of social exclusion and people with disabilities.
- Providing work to people with disabilities by outsourcing part of our production processes to special employment centers. This is an alternative measure to direct contracting established in the General Disability Law which benefits this group, allowing them to work in a supportive environment adapted to their needs, while contributing to their occupational development. In 2019 we continued to collaborate with the most important centers:



INVOICING (€)

Supplier		2018	2019
Fundación Arco Iris	Algete (Spain)	€595,403	€688,794
TPC Scoop	Saran (France)	€679,804	€579,289
Fundación Privada Dau	Barcelona (Spain)	€591,262	€544,233
Trefemo, S.L.U.	Madrid (Spain)	€84,401	€127,097
ILUNION Servicios Industriales	Barcelona (Spain)	€7,136	€0
Total		€1,958,006	€1,939,412

Spaces in which to participate and share

For many years now, we have been a company that communicates not only from the top down but between all its employees. As a result, we quickly sought to find innovative ways that would allow us to break down barriers and promote greater teamwork, and we pioneered the launch of the internal social network Workplace by Facebook in 2017.

The launch and implementation of Workplace was a success and, since then, it has provided us with the ideal space in which all employees can better communicate, collaborate, share, participate and debate in a more open and agile way, and feel closer than ever, regardless of geographical distances.

Our entire workforce has access to Workplace, ensuring everyone, especially those groups based outside of offices (such as manufacturing plants' workers, the sales network or Brand Ambassadors) to be fully integrated into the internal communications of the company.

The function of Global Internal Corporate Communications, in collaboration with the Corporate Human Resources team, is to act as a facilitator, providing support to the entire organization in order to inform workers and enable them to participate in actions designed for them. It is essential for us to do so, as it allows us to foster a greater sense of pride in belonging, to ensure that all teams are aligned with Puig values and priorities, and to be more universal and achieve greater impact.



Highlights of 2019:

- Sustainable Week: this was, once again, one of the initiatives with the greatest impact during the year. Under the slogan “Join the REgeneration”, teams from all over the world were able to contribute to the Puig commitment to sustainability, immersing themselves in the circular economy model and reinventing the way we act in order to leave behind a better world for future generations.
- Let’s Switch: the global rollout of this internal initiative aimed at speeding up digital transformation was completed. Through an internal campaign and a cultural change management strategy, personalized support was provided during the process of adopting the new digital way of working based on simplicity, collaboration, mobility and cybersecurity, maximizing the experience of employees and appointing Switchmakers – people who became drivers of this change and who were key to its success.
- Support for #BeCampaigns: after extending this initiative to France where it was received very positively, it began to be deployed in all Puig affiliates with a lot of dedication and activity.
- Voting for the selection of Invisible Beauty Makers projects: thanks to the change in internal communication strategy and the involvement of the local Human Resources teams from each affiliate, the total number of votes cast for choosing projects increased by 46%.

A few years ago, we also noticed that our employees were spontaneously organizing activities together outside of working hours. Many of these activities were related to exercise and this led us to devise our #BeCampaigns program, structured around six pillars:



These campaigns have been carried out at the Barcelona headquarters since 2014 and in 2016 they were extended to the Paris headquarters. During 2019 they were implemented in other affiliates around the world and various activities were organized associated with each pillar:



Pillar	Action	Location
	VI Aquathlon	Barcelona headquarters
	Barcelona Half Marathon: 50% of the registration fee was subsidized	Barcelona headquarters
	2019 football and padel tournaments	Barcelona headquarters
#BeFit	Each of the internal sports clubs continued to organize their own activities	Barcelona headquarters
	Four physical activities, with two editions each: yoga, pilates, bootcamp, cancer charity race	Paris headquarters Chartres production plant
	15 th inter-center football tournament	Barcelona headquarters
#BeHealthy	“Transform your health” conference	Barcelona headquarters
	“The dream” conference	Paris headquarters
#BeSociallyAware	Two annual campaigns were organized once again: blood donation and toy collection	Barcelona headquarters
#BeCreative	“Dora Maar” exhibition	Paris headquarters
	“Fernand Khnopff” exhibition	Paris headquarters
	Sustainable Week: “Join the REgeneration”	Global
#BeSustainable	Plastic free campaign	Barcelona and Paris headquarters and four production plants
	Paco Rabanne clothing sale	Barcelona headquarters
	Easter chocolates	Paris headquarters
	Attendance of employees as spectators at the Puig Vela Clàssica Barcelona regatta	Barcelona headquarters
#BeProud	Torre Puig 5 th anniversary celebration	Barcelona headquarters
	Summer afterwork	Paris headquarters
	Connecting breakfast	Paris headquarters
	End of year celebrations campaign Office decoration Culinary and craft activities (DIY) ¹⁰ End of year lunch/dinner	Barcelona and Paris headquarters and four production plants



Our people at year end

At the end of the year, Puig had 5,213 employees, compared to 4,313 in 2018. This increase was due to the following:

- 18.3% thanks to the inclusion in the total of four groups that were already linked to Puig: Dries Van Noten, Penhaligon's, L'Artisan Parfumeur and the Brand Ambassadors collective in Mexico.
- Filling of positions that had been left vacant in 2019.
- Creation of 93 new positions.

The distribution of our employees in 2019 was as follows:

HEADCOUNT DISTRIBUTION BY GENDER

	Women	Men	Total
2018	3,175	1,138	4,313
2019	3,857	1,356	5,213

WORKFORCE DISTRIBUTION BY AGE GROUP

	<30 years of age	31-50 years of age	>51 years of age
2018	837	2,706	770
2019	1,127	3,189	897



WORKFORCE DISTRIBUTION BY CATEGORY

	2018	2019
Top executives	206	221
Sales and Marketing	1,228	1,453
Brand Ambassadors	1,228	1,767
Technical employees	996	1,073
Administrative employees	71	85
Production	584	614

WORKFORCE DISTRIBUTION BY TYPE OF CONTRACT

	2018	2019
Permanent	4,001	4,849
Temporary	312	364
Total	4,313	5,213

		Women			Men		
		Permanent contract	Temporary contract	Total	Permanent contract	Temporary contract	Total
<30 years of age	2018	471	162	633	156	48	190
	2019	627	210	837	248	42	290
31-50 years of age	2018	1,882	81	1,963	730	13	743
	2019	2,248	79	2,327	844	18	862
>51 years of age	2018	572	7	579	190	1	191
	2019	680	13	693	202	2	204
Total	2018	2,925	250	3,175	1,076	62	1,138
	2019	3,555	302	3,857	1,294	62	1,356



DISTRIBUTION BY COUNTRY

	2018	2019
Argentina	164	192
Australia	6	7
Austria	8	7
Belgium	20	113
Brazil	258	296
Canada	6	5
Chile	363	330
Colombia	5	6
France	670	764
Germany	47	49
Hong Kong	16	41
Italy	42	48
Macao	-	7
Mexico	53	389
Netherlands	10	10
Panama	37	39
Peru	189	175
Portugal	22	23
Russian Federation	64	64
Saudi Arabia	101	101
Singapore	44	62
Spain	1,719	1,760
Switzerland	77	80
Taiwan	-	17
UAE	26	23
United Kingdom	222	444
USA	144	161



TOTAL ABSENTEEISM IN THOSE CENTERS WITH ATTENDANCE CONTROL IN 2019 OVER TOTAL HOURS FOR EACH CENTER

	2018		2019	
	No. of hours	%	No. of hours	%
Alcalá de Henares	2,871	8.35%	2,064	5.87%
Barcelona plant	4,111	7.18%	4,175	6.98%
Vacarisses	2,101	8.25%	2,656	10.70%
Chartres	1,509	8.14%	1,344	7.34%

DISMISSALS BY GENDER

	Women	Men	Total
2018 ¹¹	102	51	153 ¹²
2019	232	75	307 ¹³

DISMISSALS BY AGE RANGE

	<30 years of age	31-50 years of age	>51 years of age
2018 ¹⁴	30	92	31 ¹⁵
2019	58	190	59 ¹⁶

11 We do not have verifiable figures for the full year. The data corresponds to the six months from 1 July to 31 December.

12 Includes five deaths or medical leave due to disability.

13 Includes eight deaths or end of employment due to disability.

14 We do not have verifiable figures for the full year. The data corresponds to the six months from 1 July to 31 December.

15 Includes five deaths or medical leave due to disability.

16 Includes eight deaths or end of employment due to disability.



WORK ACCIDENT FREQUENCY RATE (FR)

	2018			2019		
	Average FR	Female FR	Male FR	Average FR	Female FR	Male FR
Alcalá plant	5.22	4.90	5.59	0.00	0.00	0.00
Barcelona plant	15.49	11.85	22.36	12.01	11.57	12.81
Vacarisses plant	16.24	17.92	12.68	26.96	34.91	11.40
Chartres plant	9.02	7.67	10.93	14.11	0.00	31.98
Barcelona headquarters	0.00	0.00	0.00	0.00	0.00	0.00
Madrid	0.00	0.00	0.00	0.00	0.00	n/ap
Sales force Spain	5.63	6.78	0.00	10.93	13.07	0.00
Paris headquarters	n/av	n/av	n/av	3.64	2.42	7.31
Global	7.64	6.33	8.42	7.23	7.21	7.29

FR = No. of work accidents resulting in medical leave * 1,000,000/Total number of hours worked

SEVERITY INDEX (SI)

	2018			2019		
	Global SI	Female SI	Male SI	Global SI	Female SI	Male SI
Alcalá plant	0.14	0.07	0.21	0.00	0.00	0.00
Barcelona plant	0.28	0.15	0.54	0.33	0.26	0.46
Vacarisses plant	0.83	1.04	0.38	1.02	1.48	0.13
Chartres plant	0.09	0.08	0.10	0.19	0.00	0.44
Barcelona headquarters	0.00	0.00	0.00	0.00	0.00	0.00
Madrid	0.00	0.00	0.00	0.00	0.00	n/ap
Sales force Spain	0.10	0.12	0.00	0.57	0.68	0.00
Paris headquarters	n/av	n/av	n/av	0.10	0.04	0.26
Global	0.19	0.15	0.21	0.25	0.28	0.18

FR = No. of work accidents resulting in medical leave * 1,000,000/Total number of hours worked

SOCIAL ACTION

Increasingly aware of our capacity to have a positive impact and aligned with the concerns of society, our shareholders, directors and all Puig employees channel their corporate social action in two ways:

- Invisible Beauty global program.
- Local actions suggested and managed by each unit.

Total contribution to social action in 2019 was €1,093,964.

Invisible Beauty

In 2014, during the celebration of the Puig 100th Anniversary, we announced our commitment to be more sustainable and build a stronger social ethic. Since then, through the Puig Foundation and accompanied by a recognized third sector partner, Ashoka, we launched Invisible Beauty, an entrepreneurship (learning by doing) initiative, through which we support entrepreneurs with social ideas to improve their communities. The project allows everyone at Puig to be involved in some way: from choosing projects through voting to volunteering if they so wish.

Invisible Beauty Makers

Through our Invisible Beauty Makers initiative, we get involved in projects led by young entrepreneurs that have a social impact. They may seem like small ideas, but they have huge potential for helping make the world a better place. We provide all our infrastructure, know-how and experience so that these ideas can grow.

The projects are selected based on the following criteria:

1. Originality: innovative projects with a systemic focus that makes a difference.
2. Creativity: teams with the ability to visualize reality in a different way, engaging other stakeholders.
3. Entrepreneurial quality: teamwork, cohesion, leadership and management skills.
4. Social impact: potential social and transformational impact of the project.
5. Unquestionable ethics: consistency with the project's values, exemplary nature, objectives and means to achieve them.





In 2019 we continued to support this program, with projects currently in progress in Spain, France and Argentina, but with the firm idea of considering extending it to other countries where Puig has a presence. Furthermore, we ensured that the selected projects contributed to the achievement of the United Nations SDGs.

We contribute financially to these projects in two ways:

- Contribution to the development of the project in the form of a grant.
- Travel allowance: this contribution was added in 2018 to allow access to the initiative to entrepreneurs located outside the scope of our participating headquarters. This enables us to expand our impact.

Everyone who works at Puig has the opportunity to contribute, by taking part at different levels:

- From the start, everyone has the opportunity to be Doers, in other words, people who make it possible by laying the foundations with their votes to choose the projects we support.

In 2019, for the first time we managed to receive votes from all of Puig business units, which meant more than 1,800 votes (+46%) to choose the projects in which we should participate in 2020. This quantitative leap was made possible by a change in communication strategy and coordination between Global Internal Corporate Communications and the local Human Resources teams.

- The Mentors make up a smaller group whose function is to accompany the chosen teams for two years. They are highly engaged in the projects, contributing their knowledge to the entrepreneurs and mentoring them continuously during this period.
- Other roles include Trainers, who provide advice or training in specific needs. It is an on-demand form of involvement.
- And finally we have the Helpers. They are our internal ambassadors, providing valuable support in the internal dissemination of the project to the rest of Puig employees.



The commitment of all those who work at Puig in this program is essential for its long-term success and, in the five editions held, their direct involvement and participation have proven to be a success.

INVISIBLE BEAUTY MAKERS IN FIGURES (2019):

Doers	1,800
Social projects supported	10 Spain, ¹⁷ 2 France, 2 Argentina
Young entrepreneurs supported	24
Countries of origin of the entrepreneurs	3
Mentors	28
Trainers	22
Helpers	89
Interviews with top management	14
Hours of support for entrepreneurs	1,186

COMMITMENT TO LOCAL DEVELOPMENT

Direct impact of our locations

Our commitment to the environments in which we have a direct presence means that we prioritize local contracting in all our units, promoting the development of nearby communities and thus generating employment and wealth. This commitment is reflected both in our direct contracting and in the selection of suppliers with whom we work.

In 2019 the average percentage of workers hired locally in each country was above 96%. For temporary hires in our production centers, we prioritize proximity by working with local companies.

¹⁷ In Spain, the programs last two years. This figure corresponds to five entrepreneurs from the Makers 3 edition (2018-2019) and another five from the Makers 4 edition (2019-2020).





Puig is especially committed to employing locally at each of its factories:

- Alcalá plant: in 2019 we employed 226 people with permanent contracts and an average of 34 temporary hires to cover periods of higher production, of which 99% came from nearby towns. In 2019 we employed five people from the Integra Foundation.
- Barcelona plant: in 2019 we employed 392 people with permanent contracts and an average of 32 temporary hires to cover periods of higher production. For temporary hires we ask Manpower, located in the area (Badalona), to give priority to finding personnel from within the vicinity of the plant.
- Vacarisses plant: in 2019 we employed 156 people with permanent contracts and one temporary hire to cover someone on maternity leave. The average number of temporary contracts was 28.73 people per month, to cover the periods of higher production due to significant increases in the activity of our main client.

The geographical location of the production plant means that we hire employees from all over the Vallès Occidental region and that 77% of the male and female employees live less than 15 km from the production plant. To help them commute to work, we provide our employees with a bus service from the town with the highest concentration of people (Terrassa) for the two main shifts.

For temporary hires, and always keeping in mind proximity to the workplace, we collaborate with Manpower and Randstad, companies with which we have agreements in place to promote the training of temporary personnel in order to increase their employability when their relationship with Puig ends.

- Chartres plant: in 2019 we employed 144 people with permanent contracts and four interns. The average number of temporary contracts was 23 people, mainly to cover temporary disability leave.

Nearby suppliers

We work mainly with suppliers close to our production centers, both in terms of inventory and non-inventory material and outsourcing firms.



Our inventory material suppliers in 2019 were located as follows:

SUPPLIERS ORIGIN		
	2018	2019
Europe	94%	83%
Spain + France	77.9%	78.2%
America	2%	2%
Asia	4%	15%

The increased proportional importance of Asia in 2019 is due to the internalization of purchases by the Christian Louboutin brand in the Puig perimeter.

We also follow a policy of selecting suppliers within the environments in which we are located when we outsource. As a result, all outsourcing suppliers in 2019 were still located in Europe.

Impact of our production activity in the territory in which we operate

Our involvement with the communities and production networks located near our plants means that we participate in initiatives that enrich the ecosystem of which we are part. To highlight two key initiatives:

Vacarisses: we are part of the Executive Committee of the Can Torrella Industrial Estate, which carries out its activity in Vacarisses. The Committee was established to manage the activity of the wastewater treatment plant of the industrial estate until the transfer of this activity to the Town Council is finalized.

Chartres: Puig has been one of the promoters, since 2002, of the Cosmetic Valley,¹⁸ a cluster which currently encompasses more than 550 companies related to the perfumery and cosmetics sectors, including companies along the entire value chain. Its objective is to support the development of the sector through different initiatives, for example in business development or improving competitiveness.

¹⁸ Cosmetic Valley is part of the French government's cluster strategy.

RELATIONSHIP WITH OUR CONSUMERS

Committed to the safety of our products for consumers, we keep our production and distribution activity up to date with the latest manufacturing, labeling and packaging legislation.

Every single one of our products is subject to several legislations, the most important one being Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products which harmonizes the rules in the EU in order to achieve an internal market for cosmetic products while ensuring a high level of protection of human health.

In addition to complying with the IFRA¹⁹ recommendations and national legislations, we have in place internal standards that are more demanding than the legal requirements in some aspects of the life cycle of our perfumery and cosmetic products.

Our desire to leave behind a strong company for the future generations means that the process of creating our products takes especially into account measures to guarantee the health and safety of consumers. Monitoring is carried out throughout the product development workflow, basically in three main areas:

- Ingredients and packaging.
- Development of new formulas.
- Final product and labelling.

We also care about serving consumers once they have purchased our products and, therefore, we have the necessary mechanisms in place so that they can contact us to report any complaints. In order to guarantee this process, we follow a protocol based on EU regulations.

Complaints can be very diverse, from reactions to our products to problems with orders from our direct customers.

¹⁹ International Fragrance Association.





CLAIMS

		2018	2019	Change
Units sold		101,652.832	105,871.543	4%
Customer claims	Related product units	12,057	163,657	1,257%
	RPM ²⁰	119	1,546	1,199%
Consumer claims	Related product units	1,451	1,818	25%
	RPM ²¹	14	17	21%

In 2019 there was a significant rise in complaints from customers relating to the extraction force of the cap on some Lifestyle brands. These stocks were reprocessed and sent to the customer in record time, thus maintaining service levels. Also, a plan to improve the design that generated the incident was quickly put into place. Given that all these complaints were the result of the same cause, they can be considered a single incident and therefore it could be said that, after eliminating the consequences, the levels of claims were similar to 2018.

Our contribution to the SDGs



²⁰ Incident reports per million units sold.

²¹ Incident reports per million units sold.

OPERATIONS

MILESTONES 2019

After the implementation of new business models in 2018 and the subsequent definition of the roadmap to achieve the objectives of the Plan Da Vinci, 2019 was a year full of implementations and challenges, with the following significant actions:

- In line with the philosophy of our Sustainability Program and with consumer trends, we introduced improvements in product formulation, packaging and materials. Since this Program is a priority for development teams, we defined a methodology to estimate the sustainability efficiency of our products, which we will implement in 2020 for new products and for actions to improve existing products.
- In accordance with our strategy to improve logistics efficiency, in May we opened a distribution center in the Netherlands with the aim of improving our service capacity and reducing waiting time for our customers. With this installation we have laid the foundations for reaching more than 170 million consumers through points of sale in less than 24 hours.
- In line with our Sustainable Sourcing Policy, we launched the third campaign to integrate all our suppliers, with the help of EcoVadis, obtaining results above the sector average.
- Committed to reducing the carbon footprint of our activity, we installed energy from biomass at our Chartres and Vacarisses plants, which meant a significant decrease in GHG emissions (-57% and -14% respectively).



INDUSTRIAL STRATEGY

We are an industrial company, so manufacturing is one of our core processes. Although we have a low environmental impact compared to other sectors, we undertake to continuously improve in this area. From the strategic point of view, in 2019 we carried out three significant actions:

- We reviewed the criteria used to evaluate information assets in operations and R&D and, together with the IT department, we developed the necessary cybersecurity processes and documentation in line with the ISO 27001 standard.²²
- We integrated the facility management processes into the IMS,²³ so that in 2020 they will be covered by the existing ISO 9001 certification.²⁴
- We implemented energy efficiency audits and a tool for health and safety management in all our plants.
- We implemented the Factory 4.0 project, which began in 2018 with the aim of introducing technological improvements in the four plants:
 - Implementation of the Manufacturing Execution System (MES) to provide efficiency to the 50 filling lines in real time.
 - Installation of five cobots.²⁵
 - Purchase of three automated guided vehicles (AGV) at the Alcalá plant for intralogistics tasks.
 - Installation of 3D printers to complement the industrialization tasks of the products with the aim of decreasing the reaction time, reducing costs and speeding up deliveries.

In 2019 we produced a total of 132 million units in all our plants.

²² ISO 27001 for information security.

²³ Integrated Management System.

²⁴ ISO 9001 for quality management.

²⁵ A cobot or co-robot is a robot created to physically interact with humans in a collaborative work environment.





R&D

In terms of new product development, 2019 was a year of challenges, mainly due to the entry of two new categories: makeup and niche. We launched 1,454 new items, 57% of them in the Prestige category, 30% in Lifestyle and 12% in Niche.

In the Research area, we reinforced the makeup development team and consolidated the testing processes and methodologies. The internalization of new skills and knowledge is clearly reflected in the development from scratch of the new Carolina Herrera makeup collection.

The R&D teams continued to develop formulations aligned with our sustainability strategy, introducing natural and organic ingredients, and adapting to the increasing local regulation of the different markets.

At FabLab we made significant progress in achieving innovative alternatives in the olfactory experience.

In 2019 we faced several packaging challenges. Bad Boy, by Carolina Herrera, was a huge challenge in terms of the development of the bottle, which required an enormous number of tests in coordination with our suppliers. Pacollection, by Paco Rabanne, was surely the most innovative launch in the industry in 2019, and one of the most motivating for internal teams in terms of bottle, case and secondary packaging. Carolina Herrera's makeup line was an incredible exercise in sophistication and extreme attention to detail, and it allowed us to research new types of packaging.

PURCHASING

The total number of suppliers of inventory material was 3,725 (+6.3%) representing a total of €424 M (+8%), mainly due to the integration of Christian Louboutin.

Service supplier level reached 95.2% of the OTIF performance indicator,²⁶ exceeding the set target a year earlier than expected thanks to the program developed in collaboration with the suppliers.

Throughout 2019, the NIP²⁷ team mainly focused on retail-related suppliers while keeping up their support to brands.

Our commitment to society and to our products means we have extended the principles of our Ethical Code and our quality standards to the supply chain. We carry out two types of actions to guarantee the alignment of our suppliers with our standards.

1. Alignment with our Sustainable Sourcing Policy: in 2019 we carried out the third evaluation campaign using EcoVadis which included old suppliers that remained from the previous year.

SUPPLIERS EVALUATION WITH ECOVADIS

	Total number of suppliers included in the campaign	Responses	%
2017 Campaign	133	99	74%
2018 Campaign	192	138	72%
2019 Campaign	37	27	73%

2. Campaign of adherence to our Ethical Code: since 2019 all new suppliers must accept it as a prerequisite before being approved. We incorporated 22 suppliers for inventory purchase and 2,040 for non-inventory purchase.

²⁶ On time in full: performance indicator used in the logistics industry to show the percentage of shipments that arrive on time with the product and quantity requested, and to the place indicated by the customer.

²⁷ Non-Inventory Purchase.





OUTSOURCED ACTIVITY

At Puig, we outsource a percentage of our productive activity to suppliers close to our production centers, which has always enabled us to contribute to the economic activity of the area and also to maintain a balance between internal and outsourced production depending on peaks of activity. We closed 2019 with almost 100 million units produced by our outsourcing firms, in line with 2018 levels.

All our outsourcing suppliers are located in Spain, France, the United Kingdom and Portugal, which helps us maintain our commitment to the communities in which we carry out our activity.

VOLUME OF OUTSOURCED ACTIVITY

Type	2018		2019	
	No. of suppliers	Turnover	No. of suppliers	Turnover
Handling	25	€28 M	19	€17 M
Packaging	11	€10 M	4	€5 M
Technological	18	€12 M	15	€16 M
Total	54	€50 M	38	€38 M

In 2019 we streamlined the number of outsourcing suppliers and continued to implement relevant measures to ensure that our standards and the Good Manufacturing Practices are met. All outsourcing suppliers undergo an audit prior to being included in our portfolio and we carry out regular audits of existing ones and include a specific clause linked to the Puig Ethical Code in contracts with them. In 2019 we carried out seven audits with an average score of 76% in all those cases that were positive.

SUPPLY CHAIN

Our supply chain is facing new challenges, some as a result of new business activity and some imposed by the current market situation, such as Brexit.

In 2019 we took a step forward in the digitalization of our supply chain, implementing in July the SAP/IBP tool for demand planning, a more integrated, flexible and agile platform. We managed to do so without interrupting our operations and with visible results, reducing deviation by 3%. In 2020, we plan to implement tools for inventory planning and procurement planning.

After developing the necessary processes, we began to fulfil orders from our e-commerce channels: for Paco Rabanne in the United Kingdom and France, and for some local brands in Spain.

The uncertainties created by Brexit required the design of contingency plans to mitigate the risk to our customers, enabling us in the end to not incur any unforeseen costs in distribution.

Moreover, the response capacity of our supply chain for Christian Louboutin was key in 2019 to achieve a reduction in the delivery time of its products to 26 weeks which had a very positive impact on sales. Despite the good service levels mentioned, we ended 2019 with an excess of stock for this brand. The challenge for 2020 is to define the best operational model in order to achieve the proper balance between service and inventory.

We continued with our strategy of developing regional supply centers and established a facility in Buenos Aires to serve customers in Chile, Argentina and Peru.

In 2019 we successfully implemented new logistics operations in Brazil and Chile. This allowed us to adapt local operations to legal requirements and achieve compliance with Puig standards in terms of sustainability, efficiency and effectiveness in serving our clients.

Our contribution to the SDGs



THE ENVIRONMENT

PUIG SUSTAINABILITY PROGRAM

In 2019, our Sustainability Program²⁸ continued to promote actions which helped us achieve, and even exceed, the objectives set for 2020.

Aware that our activity has a greater impact on certain Sustainable Development Goals (SDGs), our Sustainability Program focuses mainly on three of them:



Responsible manufacturing

Technological innovation and investment in our factories and facilities are priority areas in the growth of our business, as are the creation of more sustainable products through ecodesign, the circular economy and efficiency in the use of resources.



Responsible value chain management

We apply sustainability criteria throughout our value chain and assess the impacts generated throughout the entire life cycle of our products and services.



Carbon neutral production

We contribute to the fight against climate change through our emission reduction strategy throughout the entire value chain.

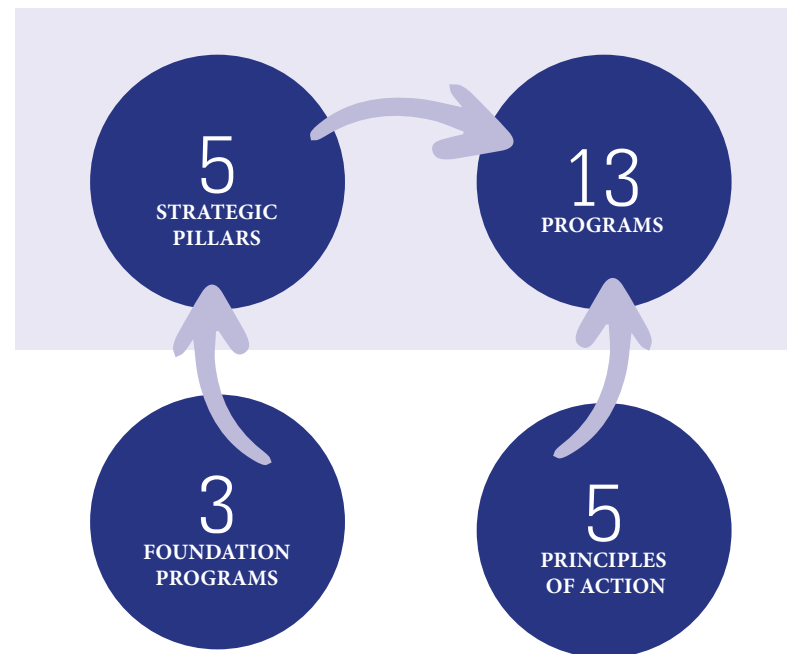
²⁸ The scope of this program is the fragrance business unit in Spain and France.



Apart from these core goals, our activity also has some impact, to a greater or lesser degree, on other SDGs.

We are firmly committed to reducing our carbon footprint, while ensuring the company continues to grow.

The pillars around which our plan is structured derive from this commitment. It is a holistic approach combining five strategic pillars and thirteen programs, three support programs and five ways of working to ensure a positive impact.













Structure of the Sustainability Program

Our program promotes sustainability concepts with a 360° vision within the company, not only through actions but also by engaging our governing bodies, employees, suppliers, customers and consumers through the five key pillars on which it is based.








STRUCTURE OF THE SUSTAINABILITY PROGRAM

<p>PILLAR 1 PRODUCT STEWARDSHIP</p> 	<p>To continue offering dreams and emotions and promoting quality and creativity, Puig will continue to lead innovation in the market. The main actions will focus on the White Book of Materials and Their Processes, which will help to understand and prioritize the use of more sustainable materials.</p>	
<p>PILLAR 2 SUSTAINABLE SOURCING</p> 	<p>Puig evaluates the environmental impact of its products during the different stages of their life cycle, involving its suppliers in this process. Puig commitment to sustainability extends to them to ensure combined efforts and a shared vision. Sustainability is one of the criteria for the qualification and prioritization of suppliers.</p>	
<p>PILLAR 3 RESPONSIBLE LOGISTICS</p> 	<p>Puig is aware that the distribution of its products represents one of the main environmental impacts in its value chain. Although the optimization of transport has always been one of the company's priorities, in conjunction with logistics service providers Puig is redesigning its procedures to reduce emissions.</p>	
<p>PILLAR 4 RESPONSIBLE MANUFACTURING</p> 	<p>Puig production processes have a low environmental impact when compared to other sectors. However, we continue to work to reduce our environmental footprint, making processes more sustainable, optimizing waste management and improving energy efficiency and water use.</p>	
<p>PILLAR 5 EMPLOYEES AND FACILITIES</p> 	<p>Puig commitment to the environment is also reflected both in the management of its buildings, implementing saving measures and promoting the use of sustainable materials, and in the development of initiatives that allow to reduce the environmental footprint of the employees themselves.</p>	





PROGRAMS

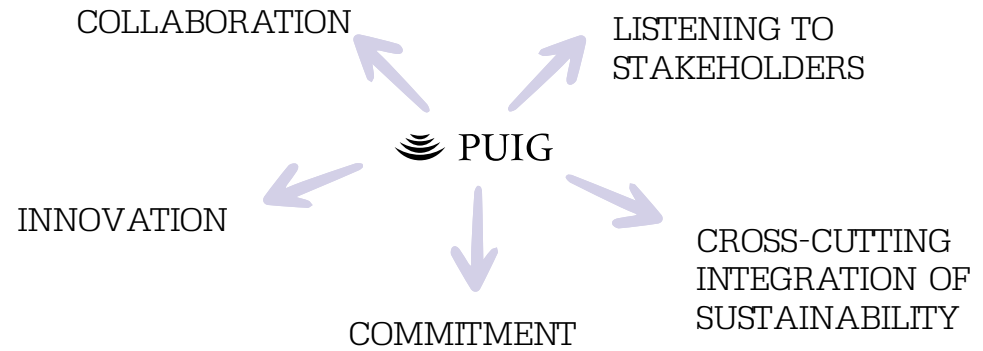
 PRODUCT STEWARDSHIP	1. Reduce package weight and/or volume without compromising on design	●
	2. Increase the company's use of sustainable materials	●
	3. Raise awareness of the importance of using sustainable ingredients	●
	4. Determine the impact of sustainability criteria on consumer loyalty	●
 SUSTAINABLE SOURCING	5. Involve suppliers in the company's corporate Sustainability Program	●
	6. Increase the company's use of sustainable materials and ingredients	●
 RESPONSIBLE LOGISTICS	7. Encourage transport and warehousing suppliers to adopt sustainability standards	●
	8. Reduce transport emissions	●
 RESPONSIBLE MANUFACTURING	9. Reduce waste	●
	10. Reduce emissions and improve energy efficiency	●
	11. Manage water more efficiently	●
 EMPLOYEES AND FACILITIES	12. Improve the environmental performance of installations	●
	13. Minimize environmental footprint of employees	●

Level of achievement at the end of 2019 of the 2020 objectives: High ● ● ● Low





PRINCIPLES OF ACTION



FOUNDATION PROGRAMS

		
<p>1. GOVERNANCE CAPABILITY AND ENGAGEMENT</p> <p>Develop a solid model of governance that facilitates the integration of sustainability into the company's core business and ensures the fulfillment of the commitments Puig makes.</p>	<p>2. PERFORMANCE AND ACCOUNTABILITY</p> <p>Define the processes that enable us to manage and measure the effectiveness of the sustainability strategy, evaluated in terms of providing necessary and adequate information to decision makers.</p>	<p>3. RELATIONS AND COMMUNICATION</p> <p>Manage the company's relational capital, building solid relationships with partners that help generate shared value.</p>



Achievements in 2019



8%* reduction in corporate carbon footprint



PILLAR 1
PRODUCT
STEWARDSHIP

- ✓ **New initiatives in circular economy and ecodesign.**
 - Measurement of the environmental impact of projects.
 - Pacollection: consumer packaging collection program and search for more sustainable materials.
- ✓ **Training for internal teams.**
 - R&D annual meeting, Packaging Academy, Paco Rabanne workshop.
- ✓ **Secondary packaging.**
 - Reduction/replacement of plastic with paper in secondary packaging (especially in coffrets).
- ✓ **In-depth investigation into new materials and suppliers.**
 - Biodegradable plastic, recyclable and recycled materials, raw materials of natural or plant origin.



PILLAR 2
SUSTAINABLE
SOURCING

- ✓ **Ensure supplier compliance with our Sustainable Sourcing Policy (SSP).**
New Ecovadis campaign:
 - 176 providers monitored.
 - 94% of purchasing volume.
 - High average rating: 55.4 (EcoVadis average: 42.4).
- ✓ **100% of our folding cardboard comes from sustainably managed forests.**
- ✓ **100% of our alcohol is of natural origin.**

* Greenhouse gas emissions in t CO₂ eq./net income in € million.





PILLAR 3
RESPONSIBLE
LOGISTICS

- ✓ **Reduction of transport and distribution emissions: –5%.**
 - Reduction of logistics emissions: –9%.
- ✓ **Reduction of inbound emissions: –4%.**
 - Use of liquefied natural gas trucks.
 - Implementation of Evarm technology (gas-based dual-fuel hybrid system).
- ✓ **Reduction of outbound emissions: –10%**
 - Substitution of air transport with sea transport for some customers.
 - Positive impact of the new warehouse in Venlo, the Netherlands (direct service to Europe).



PILLAR 4
RESPONSIBLE
MANUFACTURING

- ✓ **Biomass energy installation in Vacarisses and Chartres.**
 - Vacarisses: –14% in GHG emissions.
 - Chartres: –57% in GHG emissions.
- ✓ **Reduction/replacement of plastic in tertiary packaging.**
 - 86 tons of plastic per year managed as a circular economy.
- ✓ **Study on the implementation of solar energy in Alcalá.**



PILLAR 5
EMPLOYEES
AND FACILITIES

- ✓ **Internal Plastic Free campaign.**
 - Reduction of single-use plastic (bottles and glasses) in headquarters and production plants.
- ✓ **Improvement of waste segregation areas.**
- ✓ **4% reduction in paper consumption per employee.**
- ✓ **Sustainable Week 2019: “Join the REgeneration”.**
 - Raising awareness of the circular economy
 - World-wide participation 78%.



Responsibility and commitment in management

Responsibility is part of our history and our DNA. Our desire has always been to do more than what is simply required by legislation and regulations, voluntarily establishing objectives and standards to minimize the impact that our activity generates.

Our main goal is the reduction of our carbon footprint, so for some years now we have implemented new practices on a recurring basis in order to maximize results. An example is our Sustainable Sourcing Policy, which minimizes the impact of the supply chain, promotes the use of raw materials of sustainable origin, such as FSC/PEFC cardboard and paper and 100% vegetable alcohol, and the use of sustainable sources.

In addition, for over 15 years now we have had an Integrated Management System in place which identifies the significant environmental aspects and impacts of our activities at the four factories and at the Barcelona headquarters. The system, which is ISO 14001:2015²⁹ certified, describes all the processes implemented for environmental management and ensures the application of a preventive approach to potential risks:

- Identification and evaluation of environmental aspects and impacts.
- Management, control and monitoring of the identified environmental aspects.
- Emergency management.
- Identification of and compliance with legal requirements.

Likewise, we have the necessary insurance to cover any environmental liability.

In 2019 we managed to reduce the corporate carbon footprint by 8%,³⁰ as a result of the reduction in gross emissions and participation in offset programs.

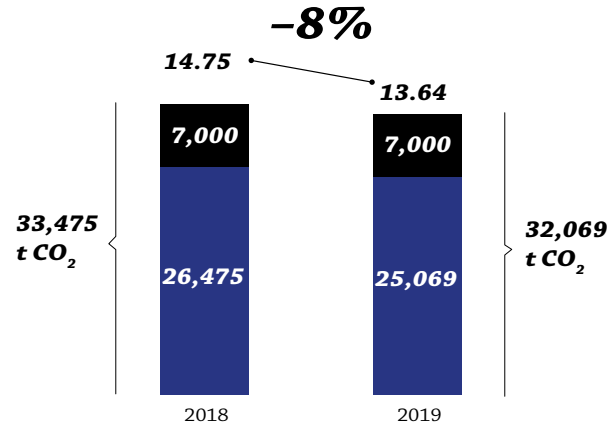
²⁹ ISO 14001:2015: reflects the growing importance of environmental management during business processes in companies.

³⁰ Reduction of GHG emissions (t CO₂ eq.)/net income (€ million).

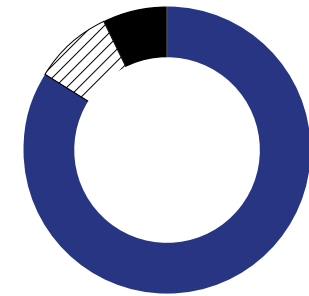




TOTAL GHG EMISSIONS IN RELATION TO NET INCOME



DISTRIBUTION OF GHG EMISSIONS



- GHG emissions (t CO₂ eq.)
- Offsetting (t CO₂ eq.)
- KPI: GHG emissions (t CO₂ eq.)/
net income (€ M)

- **84%** Transport and distribution
- /// **9%** Employees and facilities
- **6%** Production plants

Our reductions come as a result of the following:

Scope	Source	2018 (t CO ₂ eq.)	2019 (t CO ₂ eq.)	
Scope 1 ³¹	Gas consumption	1,619.15	1,184.22	-26.86%
	Vehicle fleet	565.16	701.11	+24.06%
	Refilling of refrigerant gases (air conditioning and refrigeration equipment)	206.44	269.43	+30.51%
	Subtotal Scope 1	2,390.75	2,154.76	-9.87%

31 Direct emissions produced by the burning of fuel by the emitter.





Scope	Source	2018 (t CO ₂ eq.)	2019 (t CO ₂ eq.)	
Scope 2 ³²	Purchase of electricity	0.00	0.00	=
	Subtotal Scope 2	0.00	0.00	=
Scope 3 ³³	Business trips	2,583.39	2,080.00	-19.49%
	Transport and distribution	27,758.33	26,978.50	-2.81%
	Waste generation	713.11	827.10	+15.98%
	Purchase of goods and services (water consumption)	8.47	8.65	+2.13%
	Purchase of goods and services (paper consumption)	21.27	19.53	-8.18%
	Subtotal Scope 3	31,084.57	29,913.78	-3.77%
	Total emissions	33,475.32	32,068.54	-4.20%

In order to minimize our impact, we complemented our emission reduction with an alliance with the Fortaleza Ituxi REDD Offsetting Program in Brazil, thus continuing our collaboration policy from previous years. This project is certified by the VCS Program³⁴ and by the CCBA³⁵ and its main objective is to prevent massive deforestation in the indigenous forests of the Amazon. These programs also allow us to generate economic development beyond the vicinity of our premises and to support both sustainable forest management and the economic development of the community. Thanks to our participation in the Fortaleza Ituxi REDD Offsetting Program, in 2019 we contributed to the offsetting of 7,000 tons of CO₂.

32 Indirect emissions generated by energy. There are no emissions due to the purchase of renewable energy.

33 Other indirect emissions.

34 Verified Carbon Standard.

35 The Climate, Community & Biodiversity Alliance. <http://www.climate-standards.org/ccb-standards/>

ACTIONS BASED ON OUR STRATEGIC PILLARS

Pillar 1: Product Stewardship

A few years ago, we demonstrated our alignment with the circular economy model, which prioritizes efficiency in the use of resources and, therefore, of raw materials, while advocating the minimization of waste. The concepts associated with the circular economy have a direct relationship with everything associated with the product. For this reason, our products are designed more and more to take into account the practices within our scope and in 2019 we made progress in different lines of work.

On the one hand, promoting eco-innovation through the training and development of our teams in sustainability criteria in all phases of the product life cycle. The training sessions were aimed at designing innovative packaging solutions by reducing weight and/or volume without compromising on the design and quality of the products. We carried out different actions, including:

- Annual R&D meeting, inviting industry leaders to share experiences of their projects and create synergies with our company.
- Packaging School event in which leading experts in this field participated and various sustainability and circular economy initiatives, both internal and external, were presented with the aim of inspiring the technical teams.
- Workshops with the brand teams in which they were encouraged to think about how to design products applying the principles of the circular economy.

On the other hand, searching more intensely for solutions to reduce the use of plastic in the coffret trays, leading us to act on different lines.

- We continued our collaboration with ITENE³⁶ to adopt new measures for reducing the amount of plastic by introducing an additive in the thermoformed trays without losing their physical and aesthetic characteristics. With this collaboration we have managed to reduce a total of 38.6 tons of plastic since 2016 (-13% of the plastic in the trays).





In addition, we carried out a study on replacing the plastic trays of some brands with recyclable and biodegradable cardboard trays (100% virgin paper pulp). In 2020 we will carry out a pilot test so that we can subsequently plan their implementation in the coming years.

- In parallel, we worked on the integration of recycled PET in these trays, an innovation that was applied in 85 products and meant an increase in the proportion of recycling of 30%. We hope to reach 90% in 2020.

During 2019 an in-depth investigation was carried out on new ingredients, materials and suppliers. We incorporated new raw materials of plant and/or natural origin, which allowed us to design formulas and products that adapt to current standards and the demands of our consumers. In tertiary packaging, we replaced some materials with more sustainable alternatives: in GWP³⁷ we substituted polyethylene bags (81%) and silica gel bags (76%) for more sustainable options, and in the point-of-sale material we replaced the foam corners with cardboard wedges.

In addition, we carried out a study on the use of biodegradable or bio-based plastic, as well as an analysis of recyclable and recycled materials in different product categories: foam, polyester and metals. In our search for more environmentally friendly materials and raw materials, we approved new suppliers, to ensure that our value chain promotes sustainability in all its phases.

We continued working on the implementation of the White Book of Materials and Their Processes and updating the Watch List in accordance with new trends and demands, both legislative and those of the market and consumer.

Our effort and commitment was channeled through two additional projects:

- Analysis of the environmental impact of some projects in the initial design phase, in the definition of components and in the selection of materials, in terms both of the formulation and of the packaging, with the aim of detecting eventual improvements in our environmental performance. The quantitative analysis allowed us to assess the different alternatives continuously and choose the most sustainable option.
- During the launch of the Pacollection (Paco Rabanne) we set up an initiative to promote the return of packaging by the consumer. This action was complemented with a study on more sustainable packaging alternatives right from design stage.



Aware that consumers are the ultimate decision makers during the purchase and in order to determine loyalty in their consumption habits and their sensitivity towards sustainability, in 2019 we held, with the help of an external consultant, a discussion seminar on the trends and the future of the sector.

Pillar 2: Sustainable Sourcing

Our responsibility and commitment to sustainable sourcing is reflected in the decisions we make and the actions we implement in our supply chain.

Aware that it is a never-ending task, we continued with the campaign to ensure adherence of our suppliers to our Sustainable Sourcing Policy and our Ethical Code, in order to ensure responsible behavior on their part and alignment with our values.

This task was complemented by the third supplier evaluation campaign to increase our sustainability performance. Until 2019, a total of 176 suppliers had been evaluated, representing 94% of the volume of purchases. Our suppliers obtained an average score of 55.4 points (+2.4%), which places them above the EcoVadis average (42.4).

In parallel, we started new ways of collaborating with suppliers in order to increase knowledge about the origin and traceability of some key perfumery ingredients.

Our commitment to the protection of forest ecosystems and biodiversity ensured we achieved, before the set date, the principal objectives of the Sustainability Program on the sustainable sourcing of the main raw materials such as paper, cardboard and alcohol.

In 2019, one year ahead of schedule, we ensured that 100% our folding cardboard came from sustainably managed forests. This involved a total 1,781 tons of various types of paper. Our main suppliers are from Nordic countries and therefore follow very stringent sustainability policies.

We took the decision to work internally on the traceability of the key raw materials for our activity. This decision was brought about due to the dissolution of the NRSC³⁸ after five years of collaboration, during which we acquired key knowledge about the origin of raw materials and the field work of relevant supply chains. The direct management of purchasing decisions based on this knowledge will allow us to reinforce internal know-how and improve supply following sustainability criteria.



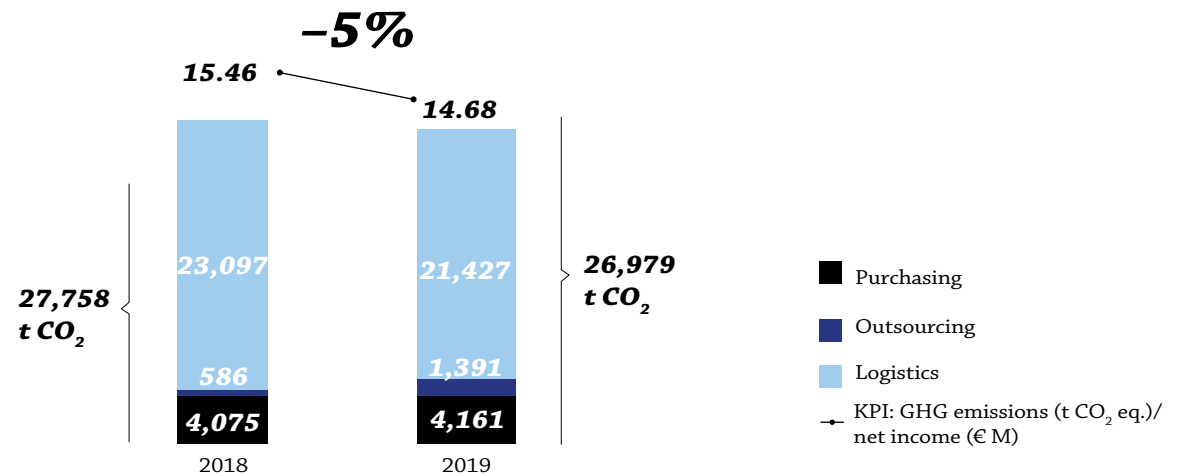


Pillar 3: Responsible Logistics

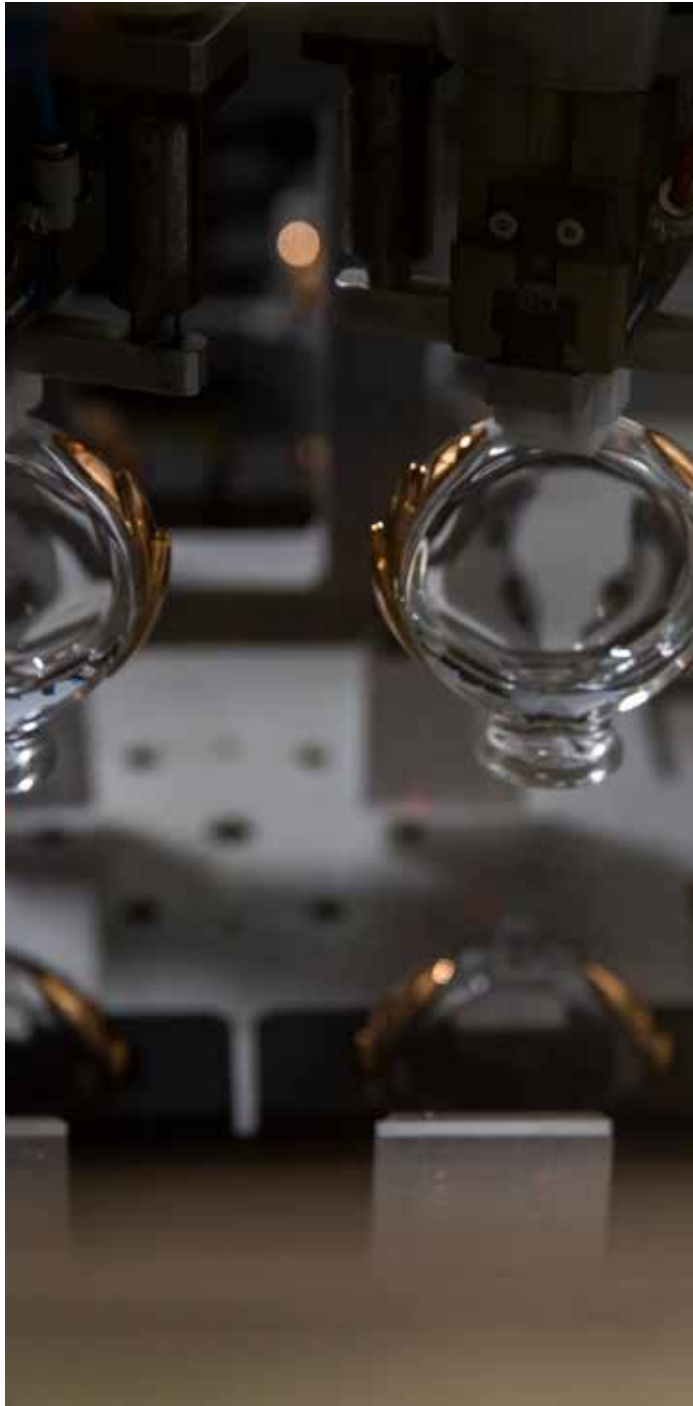
Aware that the way we deliver our products to the consumer has a very high impact on our carbon footprint (84.1% of the total), we continued to take measures to optimize our distribution.

As a result of the projects defined and launched in previous years, in 2019 we reduced emissions associated with transport and distribution by 5%.

GHG EMISSIONS ATTRIBUTABLE TO TRANSPORT AND DISTRIBUTION



In the area of logistics, we continued to work on initiatives such as increasing efficiency in freight, using more sustainable modes of transport, and increasing the number of local suppliers of raw materials. In 2019 our performance in reducing our logistics emission was good, achieving a reduction of 9%.



We launched initiatives in both inbound and outbound logistics, in the following areas:

- Inbound logistics: –4% of GHG emissions.³⁹
- Positive result of the initiatives launched in previous years such as the implementation of Dual Evarm⁴⁰ technology, after its pilot test in 2018, moving to dual-fuel hybrid systems based on gas in the Fransitrans fleet.
- Outbound logistics: –10% of GHG emissions.
 - Agreement with five customers to replace air transport with sea transport (which has a lower environmental impact), something which requires us to adapt our processes, times and methodologies, without neglecting the quality and satisfaction of our customers. We hope to extend this initiative in the coming years.
 - Opening of a logistics platform in Venlo (Netherlands), which helped optimize transport to customers in central Europe, reducing the kilometers traveled and therefore waiting time and emissions (–11% tons of CO₂).

As part of our supply chain environmental performance control program and in line with our desire that all our logistics operators comply with the environmental standards necessary to achieve our objectives in this pillar, at the end of 2019 – also in collaboration with EcoVadis – we carried out an evaluation on 87% of our logistics suppliers, which provided confirmation of the positive results of previous years.

Pillar 4: Responsible Manufacturing

Despite the fact that our impact in manufacturing is low in relation to other sectors, we continued to work every day to optimize any variable that allows us to be more efficient. On our way to being carbon neutral in the production phase, we managed to reduce emissions in this pillar by 6%⁴¹ in 2019.

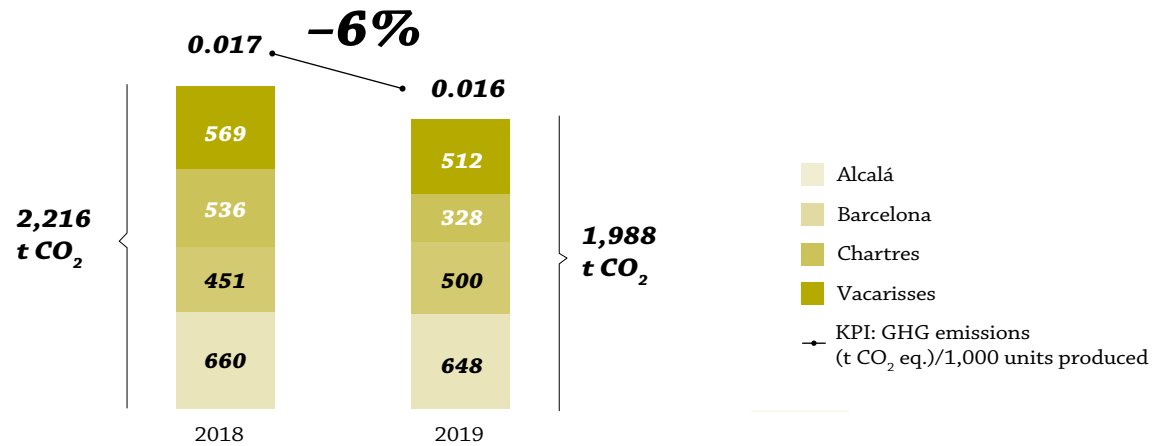
³⁹ Greenhouse gases.

⁴⁰ Approved technology for the implementation of gas-based dual-fuel control units in trucks and other vehicles.

⁴¹ KPI t CO₂ eq./1,000 units produced.



GHG EMISSIONS PER PLANT



Given that energy and water consumption, in addition to minimizing waste, is one of the key areas to improve for reducing environmental impact in production processes, we have obtained international certifications that periodically monitor our performance.

ANNUAL CONSUMPTION

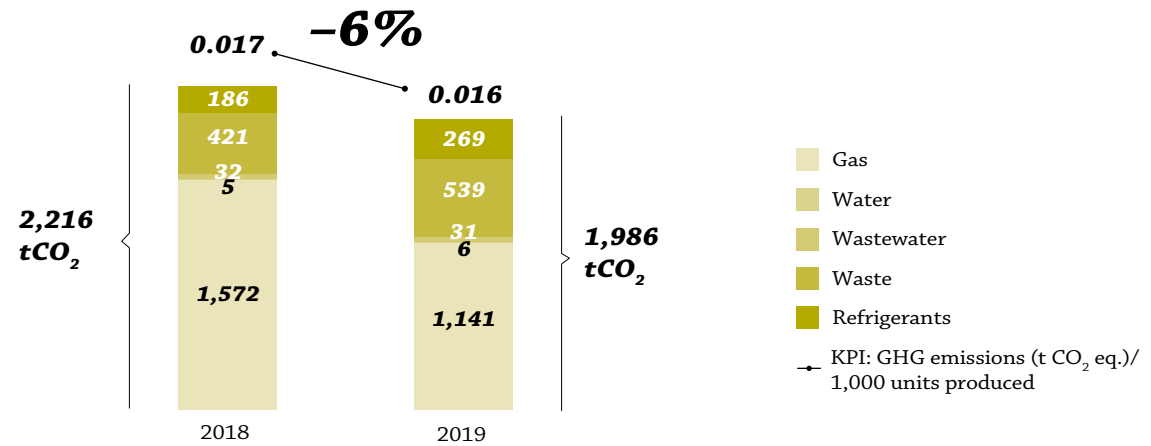
	2018	2019	
Water (liters/1,000 units produced)	380	458	+20.5%
Electricity (kWh/hour of operation)	569.4	606.3	+6.5%
Gas (kWh/hour of operation)	350.6	281.8	-19.6%
Biomass (kWh/hour of operation)	-	123	-

The greatest impact in 2019 was in gas consumption, which moreover is the main source of emissions from our production processes.





GHG EMISSIONS BY SOURCE AND UNIT PRODUCED



One of our priorities at Puig is energy efficiency, so in 2019 we carried out periodic audits in our manufacturing plants to optimize energy management, guarantee the required environmental compliance, detect areas for improvement and implement measures. These measures focused on two aspects:

1. Promoting a move towards less polluting energy sources:

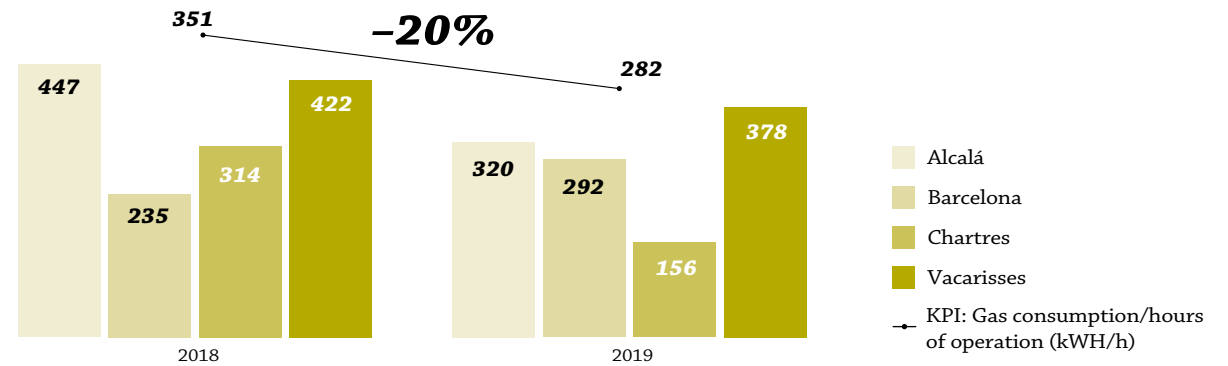
In 2019, we continued our renewable energy implementation plan. Since 2015 we have been buying 100% of our electricity for our production plants and headquarters from renewable sources.

Undoubtedly, the greatest milestone in 2019 in the production area was the introduction of biomass energy systems in the Chartres and Vacarisses plants, which enabled a reduction of GHG emissions by 57% and 14% respectively. Since gas is the main source of emissions in our factories, this change was a key step forward in the goal of becoming carbon neutral by 2020.





GAS CONSUMPTION PER HOURS OF OPERATION AND PLANT



We also carried out a feasibility study on installing solar panels in the Alcalá plant, with the aim of generating electricity for self-consumption.

2. Intensifying measures to reduce consumption:

We continued to work on measures that impact the day-to-day activity, such as the implementation of automation and mechanisms that allow us to sectorize and therefore reduce consumption or the change to LED lighting.

In addition, we developed a new 2020-2023 Energy Minimization Plan for each of the manufacturing plants and designed the roadmap for incorporating all the supplies of the four plants into the corporate Energy Management System (EMS) software. In parallel, we redefined energy KPIs and incorporated baselines in order to improve management, monitor consumption more efficiently and improve reporting.

Aware that water is a scarce commodity and to ensure that we act efficiently and responsibly, we introduced improvements in reuse and decreased consumption. In 2019, we improved the osmosis and nanofiltration membrane facilities at the Vacarisses water treatment plant and decreased the amount of irrigation water used at the Alcalá plant.





A large part of our commitment to the circular economy has to do with the way we manage the waste generated by our production. In this regard, we work towards increasing waste valorization through our own actions and through agreements with suppliers. Since 2015 we have consistently met the “zero waste to landfill” target, but in addition in 2019 we maintained our recycling and recovery rate at 95%.

Tertiary packaging is among the most significant waste generated by our activity and therefore we tried to reduce it through various initiatives, achieving very positive results in 2019:

- Circular economy project at the Barcelona plant to manage thermoformed plastic trays as a by-product instead of treating them as waste. This action allowed us to reduce the impact of tertiary packaging. Up to year-end, a total of 86 tons of plastic was managed as a by-product.
- Feasibility studies to replace the plastic in the thermoformed trays with paper pulp.
- Return of box-pallets to suppliers for reuse.
- Improvement in the light packaging waste segregation at the Chartres manufacturing plant through the use of new containers, as well as internal communication and awareness campaigns.

Regarding noise and light pollution, no significant impacts were identified in our factories and facilities, in which we comply with the technical characteristics required by applicable legislation and regulations. Also, in order to carry out the required verifications, each center has operating instructions which establish the frequency with which peripheral sound level tests should be carried out.

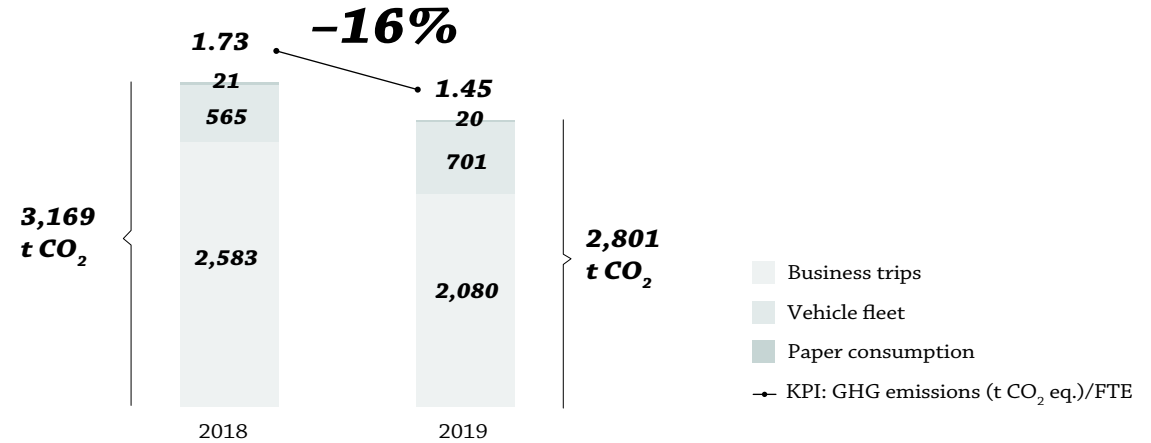
None of our centers has any direct impact on protected areas. However, the Vacarisses plant is located near a protected water channel and, therefore, since 2006 we have implemented a plan to reduce consumption and discharge.

Pillar 5: Employees and Facilities

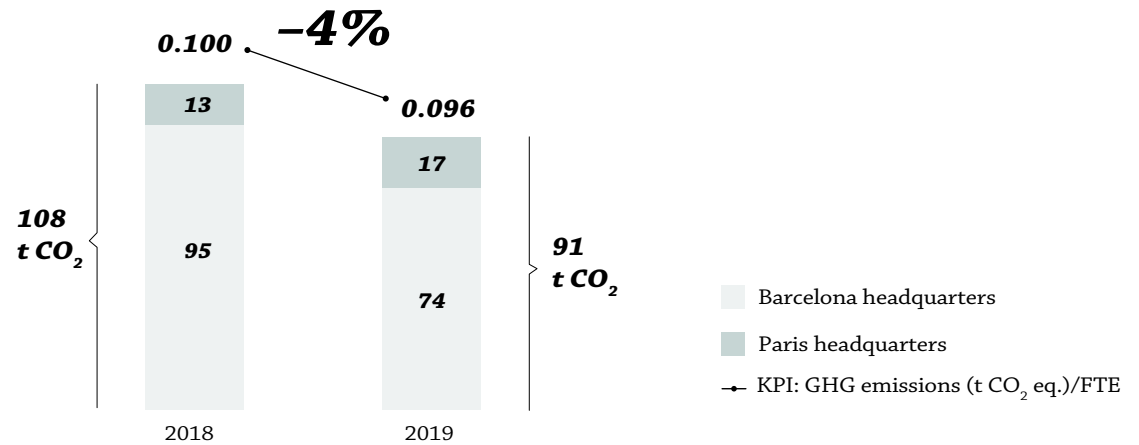
Our commitment in this pillar is to reduce the impact of our offices and the environmental footprint of the people who work at Puig in relation to their professional activity. Overall, in 2019 we reduced GHG emissions related to the activity of our employees by 16% and those of our headquarters by 4%.



GHG EMISSIONS ASSOCIATED WITH EMPLOYEES IN SPAIN AND FRANCE



GHG EMISSIONS ASSOCIATED WITH CENTRAL HEADQUARTERS

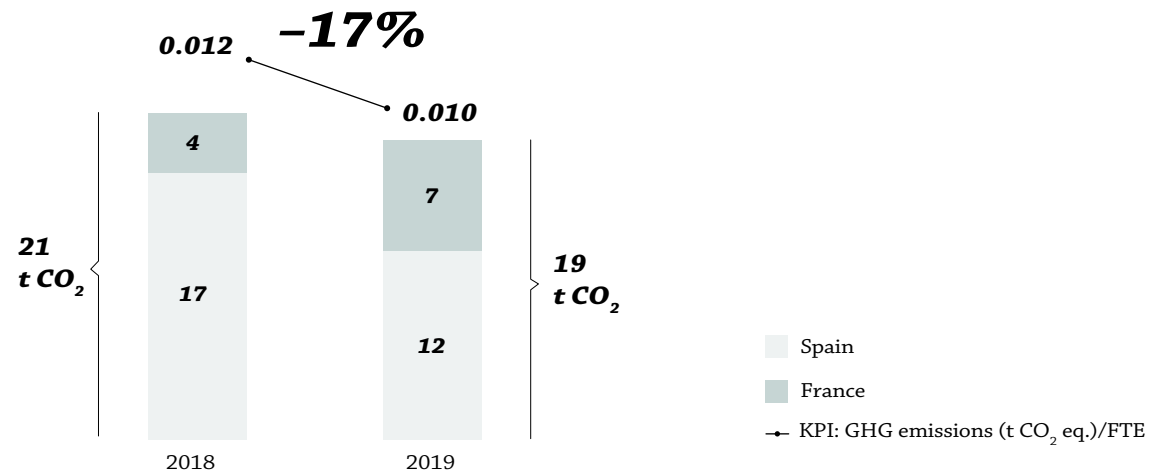


One of the main initiatives launched in previous years was the reduction of paper consumption, with a reduction of 4% in 2019 and of 17% in its associated emissions. These figures contributed to us surpassing the 50% reduction target planned for the 2014-2020 period, reaching 71% in 2019.





GHG EMISSIONS ASSOCIATED WITH PAPER CONSUMPTION



This reduction in paper consumption and in associated emissions was the result of different actions:

- Global implementation of a single print provider in all business units, which allowed us to standardize processes and improve reporting data.
- Analysis of the global implementation of common software to improve the management and reporting of consumption and associated emissions, which is scheduled for 2020.
- Drafting of the Global Printing Standard, a guide that outlines the criteria for the purchase and use of paper printing at a global level, with the aim of reducing the amount of printing and its environmental impact.
- Centralization of printers and, therefore, reduction in the number of units.
- Awareness campaigns for employees.
- Use of recycled paper instead of bleached virgin paper.

Our global presence means that our employees take a significant number of business trips, which in 2019 we managed to reduce by 23%. Air travel decreased by 6%, replaced by rail travel, which reduced travel emissions.

In addition, we signed an agreement in France with Joinup for the use of taxis, leading to improved data on journeys, kilometers traveled and associated emissions.



Other initiatives

We want to involve our employees in the environmental challenges we face today. In this regard, we promoted the Plastic Free initiative to get our employees to reduce their consumption of single-use plastic and the associated generation of waste at the headquarters in Spain and France and at the four factories.

We promoted actions such as the elimination of plastic bottles, the installation of reverse osmosis drinking fountains, and the use of biodegradable cups or reusable personal coffee cups and bottles. This campaign will be extended in 2020 during which other actions will be launched.

In 2019 we also continued with other actions aimed at involving our employees and improving their sustainability activity, including:

- Improvements in waste management: installation of waste segregation bins for events at the Barcelona headquarters and adaptation of containers to allow waste sorting.
- Initiatives to combat food waste in the canteen of the Barcelona headquarters, encouraging workers to “take away” left-over food. Thanks to this initiative, since the year this headquarters was opened, food waste has been zero.
- Internal campaigns through Workplace.
- Benchmark corporate events on sustainability, such as the Sustainable Week.

We are committed to improving the environmental performance of all our facilities, and, consequently, we ensure that our certifications that guarantee the high standards of our actions are kept up to date.

At the Barcelona headquarters, we completed the implementation of the same software as in the plants, the Energy Management System (EMS), for real-time monitoring of consumption and measurement of impacts. To do this, we redefined the indicators and included baselines in order to measure the behavior of the building in terms of energy performance.



We started to deploy the Energy Consumption Minimization Plan defined in 2018 for the 2019-2021 period, achieving improvements in the three indicators:

ANNUAL CONSUMPTION			
	2018	2019	
Water (liters/FTE) ⁴²	11,293.77 ⁴³	10,125.30	-10.3%
Electricity (liters/FTE) ⁴⁴	3,481.58	3,308.24	-5%
Gas (kWh/FTE)	433.31	363.53	-16.1%

Cross-cutting initiatives

As well as the actions structured around the pillars of our Sustainability Program, we are committed to extending our philosophy and objectives to key moments in the year in which we can reach a large number of employees, in order to launch awareness campaigns. In 2019, two moments are worth mentioning:

SIM 2019, carbon neutral event

The Strategic International Meeting is the largest annual internal event used to present the company's upcoming projects in an innovative and appealing way. In 2019 we had more than 1,000 attendees, including Puig employees, shareholders and important customers (+10%).

Following the strategy of organizing a specific activity every year to increase the awareness and commitment of the attendees to sustainability, in 2019 we organized the exhibition "Sustainability and Luxury: a strategic opportunity", in which we showed how other industries are evolving towards a more sustainable business model without neglecting the luxury aspect. We also took the opportunity to advantage to highlight our achievements since the start of the Sustainability Program in 2014.

In 2019, the carbon footprint⁴⁵ of the event in absolute values was 1,100 tons of CO₂. In order to make the event carbon neutral, in addition to minimizing GHG emissions in all parameters, all unavoidable emissions were offset through our participation in the Madre de Dios Amazon REDD+ Project (Peru), a sustainable forest management project carried out in the Peruvian Amazon. This enabled us to make the SIM a CO₂ neutral event.

⁴² FTE stands for full-time employee.

⁴³ The data for 2018 was recalculated based on improvements in the data management and collection systems.

⁴⁴ 100% from renewable sources.

⁴⁵ The KPI is 1.04 tons of CO₂/participant.





This collaboration also has a direct impact on the development of local communities, providing temporary work to more than 100 people, allocating economic resources in the form of basic medicines and supporting campaigns against dengue, among other benefits.

Sustainable Week 2019

We held the third edition of the Sustainable Week, an internal communication campaign to raise awareness about sustainability within the company, with a fully global reach in all our premises for the first time. This year, under the slogan “Join the REgeneration”, we focused on explaining what the circular economy is and how Puig is incorporating it into its processes. The objective was to raise awareness in a practical and experiential way about how it is possible to change habits and actions in our day-to-day life to have a lesser impact on the environment. The initiative was held between October and December at both headquarters, all factories and the vast majority of affiliates, with a record global participation of 78%.

In this way, not only do we ensure that we act in a more responsible and sustainable way as a company, but we ensure that our employees are also equally committed in their day-to-day life.

Our contribution to the SDGs





GOVERNANCE

A LOOK AT OUR ENVIRONMENT AS AN EXERCISE IN RESPONSIBILITY

One of our most important governance actions is to be aware of what is happening in our environment, to know what the trendsetting leaders of our sector and others are doing, and to know how the markets are going to evolve so we can plan our future and our legacy to subsequent generations.

Factors and trends that could affect our progress

The global fragrance market has experienced sustained growth of close to 5% in recent years, at a fixed exchange rate. Asia was the main area of development, concentrating 80% of the market growth in the last year.

Our main market, Europe, showed signs of stagnation with weak growth of only 1%. Latin America, where we are leaders in prestige fragrances, was very sensitive to local instabilities. The high inflation rates of some countries, such as Argentina, were offset by an unfavorable exchange rate against the euro.

The online channel continued to grow in double digits, and we hope that in the near future it will account for 15 to 20% of total distribution in the fragrance category. Traditional channels recovered somewhat, including department stores and specialized points of sale. Consumers expect a frictionless omnichannel experience during the course of their shopping experience, so integrating channels and tools is critical to capturing the full sales potential.

The digital revolution is dramatically transforming the industry, both in the way products are distributed and in sales processes. Digital native brands have been able to respond to the needs and aspirations of the consumer, leading to a boom of digital single-brand companies. The big firms in the beauty sector face a highly competitive environment from these so-called “indie” brands. Most large companies have reacted by acquiring and integrating these emerging brands into their portfolio, or by launching incubation or acceleration programs and applying the social media techniques of these brands.





Consumer habits are also changing, with shoppers accessing more content in less time, valuing authenticity and personalization, being more sensitive to environmental aspects, prioritizing experiences over products and seeking to simplify their habits.

Behavior of the sector and the environment

Although we expect the fragrance market to grow somewhere between 2% and 4% in the coming years, if we take a look at fast growing areas and channels, there is a risk that we could lose competitiveness. This presents us with the opportunity to invest in developing our business in Asia, capitalizing on the burgeoning niche brand segment and consolidating our emerging makeup portfolio.

The omnichannel challenge requires excellence at the point of sale in a fight for space. Here, innovation will be key to offering experiences to consumers. Connecting with the consumer and integrating online and offline channels will be critical to success.

Consumer trends are impacting the fragrance category. Interest in healthier products, the use of natural ingredients and social and environmental concerns will influence the design of our products and services. We started our Sustainability Program in 2014, promoting sustainability concepts in all areas of our activity.

In terms of different models of competitiveness, we have demonstrated our ability to build love brands and create an emotional connection with our consumers. Our formula is based on building brands, on always telling stories with creativity, and on being excellent in the execution of our products, and in this way winning the loyalty of the consumer. The main threat comes from competitors operating in the three beauty segments (fragrances, skincare and makeup) thanks to their advantage in the fight for space and visibility. We will need to use creativity and innovation as leverage to claw back space in traditional channels.

The appearance of new indie and niche brands, which are capturing a significant market share, should make us reconsider our offer and the role of the different distribution channels. We are already responding to these challenges via corporate development and through the incubation of new brands. Both strategies are helping us acquire new skills that can be transferred to our core business to speed up its growth.

A FORWARD-LOOKING APPROACH: PUIG FUTURES

2019 was the first full year of our innovation hub Puig Futures, created with the aim of leading innovation in perfumery and disrupting the category through new business models and technologies that allow us to offer improved shopping experiences.

This project clearly establishes our focus on the future, reinforcing our goal of leaving behind a solid legacy for future generations. In this innovation space we test concepts, analyzing and assessing the potential and viability of each one before scaling them up. Through a test & learn model, we pilot and incubate projects without compromising our day-to-day, before transferring the successful ones to the business.

In 2019 we continued to work on implementing the priorities defined during the previous year, focusing on driving innovation in our business, developing internal resources and helping to strengthen our love brands, with the aim of leading the transformation of the fragrance category through innovation.

Our activity is structured around three pillars:





Build

This pillar is intended to drive innovation in our business and corporate culture, and to test new business models and future value propositions. Its initiatives are structured across three areas:

- Innovation “treks” to drive change
In an attempt to implement a start-up culture and to identify potential collaborators in order to drive innovation around specific pilot projects, we organized expeditions with our leaders to Paris, New York and London.
- Innovation pilot projects
The innovation pilot projects were built around the consumer experience, both online and offline, and to ensure that we have an impact on all relevant issues, addressing the main pain points and identifying areas for improvement in the experience with our brands in all their phases (exploration, assessment, purchase and post-purchase).

The findings are shared periodically between the internal cross-sectional work teams in order to establish a mindset that is open to change and to consolidate a continuously learning organization that transfers agility and innovation to the day-to-day work.

- New business models
Our objective is to test new business models, incubating new brands with future potential and continuing to enrich our know-how and experience in direct-to-consumer sales’ brands.

Along these lines, in 2019 we launched Queendom, the first digital native brand from Puig, based on female empowerment.

This first experience allowed us to transfer the know-how acquired to our own brands and their teams, equipping them with new knowledge and skills in direct-to-consumer business models.



Partner

New technological advances today enable us to speed up disruption in the fragrance category and satisfy previously unimaginable consumer wishes or needs.

Therefore, one of the focuses of Puig Futures is to develop, or acquire through agreements, disruptive technologies that project the company's métier as perfumers and give us a competitive advantage.

Following this philosophy, in 2018 a joint venture was signed with BSH to launch The Alchemist Atelier, a revolution in the hyperpersonalization of fragrances through the Scent Creator device, bringing the ancient and complex art of perfumery closer to the general public. In June 2019, we opened the first pop-up boutique in Paris.

But the most important milestone of the year was the opening of three spaces in the L'Artisan Parfumeur stores, which demonstrated the synergies and the capitalization of innovative experiences offered by the brands.

Thanks to the acquisition of AirParfum, we launched a unique technology that allows consumers to smell a large number of perfumes without being overwhelmed. This innovation provides a significant solution to one of the main problems of the category, the perfume test in stores, transforming it into a full experience based around the product and its olfactory profile.

Invest

The goal of this pillar is to accelerate and provide scalability to innovation within the category. It is structured around the following actions:

1. Radar activities to keep an eye on the innovation and entrepreneurship ecosystem globally to identify interesting opportunities for the company.
2. Preparation of minority investment recommendations aligned with the company's strategic priorities and pre-defined indicators. Execution of investment agreements based on a corporate venturing philosophy.
3. Support in translating the knowledge acquired in the experiences developed at Puig Futures into the main business, such as the knowledge related to direct-to-consumer sales and sustainability.

GOVERNING BODIES

Although Puig is a family business, we ensure that we have in place good governance measures that go beyond what is legally required. This demonstrates our commitment to the future.

The governing bodies execute, supervise, endorse and monitor the fulfillment of the strategic plans and consistency with our values and the way we act.

Our highest governing body is the Board of Directors, responsible, among other things, for approving Puig general policies and strategies and for overseeing the management of the company. We incorporate independent board members to ensure greater objectivity in the decision-making process, both for the benefit of the business and to contribute knowledge of other sectors and experiences. At the end of 2019 it was made up of the following members:

CHAIRMAN AND CEO

Marc Puig (1)

VICE CHAIRMAN

*Manuel Puig, representing
Novaquern, S.L. (2)*

EXTERNAL BOARD MEMBERS

*Manel Adell (3)
Rafael Cerezo (Coordinating Director) (4)
Jordi Constans (5)
Giovanna K. Monnas, representing
Exea Ventures, B.V. (6)
Daniel Lalonde (not pictured)
Josep Oliu, representing Exea
Empresarial, S.L. (7)
Yiannis Petrides (8)*

BOARD SECRETARY (NON-DIRECTOR)

Joan Albiol

BOARD VICE SECRETARY (NON-DIRECTOR)

Marta Sulé







The Board has two delegate committees, both composed only of non-executive members:

AUDIT COMMITTEE	COMPENSATION AND NOMINATION COMMITTEE
<p>CHAIRMAN <i>Yiannis Petrides</i></p>	<p>CHAIRMAN <i>Rafael Cerezo</i></p>
<p>MEMBERS <i>Rafael Cerezo</i> <i>Daniel Lalonde</i></p>	<p>MEMBERS <i>Jordi Constans</i> <i>Giovanna K. Monnas, representing Exea Ventures, B.V.</i></p>

The highest executive governing body is the Executive Committee, made up of the following members:

- Chairman and CEO - Marc Puig
- Vice Chairman - Manuel Puig
- President Brands, Markets & Operations - José Manuel Albesa
- Chief Financial Officer - Joan Albiol
- Chief Human Resources Officer - Eulalia Alfonso
- Chief Operating Officer - Javier Bach
- Chief Brands Officer Carolina Herrera, Nina Ricci & Dries Van Noten - Ana Trias
- Chief Brands Officer Paco Rabanne & Jean Paul Gaultier - Vincent Thilloy
- Executive Vice President EMEA - Pilar Trabal
- Executive Vice President Americas - Pedro Escudero

In addition, Francois Xavier Billaud, Puig General Auditor, reports directly to Marc Puig, Chairman and CEO.

The day-to-day management of the company and its affiliates is carried out by its senior management and the corporate bodies of its affiliates.

MATERIALITY

In 2019, we completed the task of identifying the most significant risks that could have a fundamental impact on our future. We were supported during some of the stages of this process by an important consultancy firm. The project entailed the gathering of a huge amount of information from all areas of the company, which was subsequently prioritized to define the 10 aspects considered fundamental, without ignoring all the others of a more operational nature. These 10 aspects are those that we believe could have the greatest effect on achieving our strategic plan due to their potential probability and impact, and therefore on ensuring our sustainability in the future.

The graph below summarizes the 10 topics that we believe are most significant to Puig. These aspects may originate within or outside the company and can be classified as more strategic or more operational.

This matrix has several characteristics:

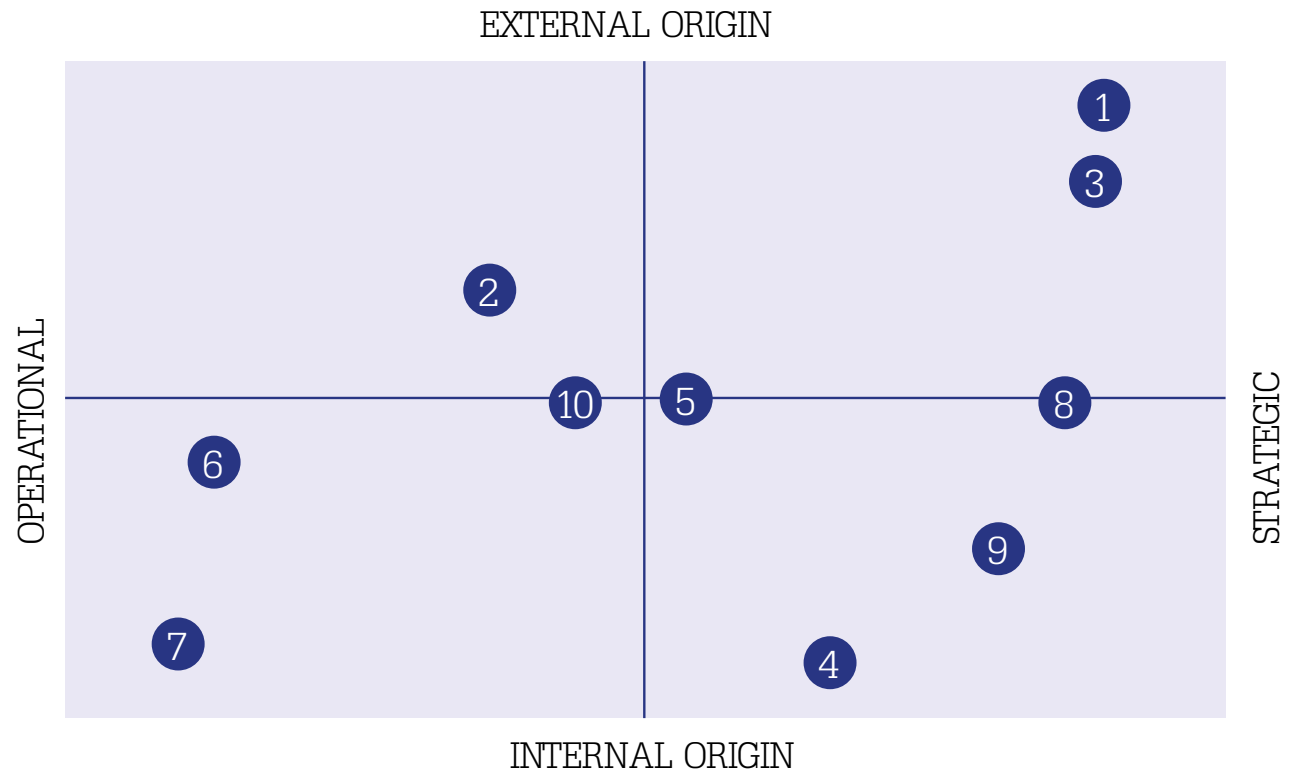
- It is useful for strategic decision making.
- It can act as the basis for defining annual internal audit plans.
- It allows us to identify and monitor risks.
- It allows us to focus on opportunities to adapt to changes in internal or external environments.

There is a person responsible in the company for each aspect who manages the monitoring, reporting and proposal of measures in the event of any change in scenario. Monitoring indicators and measures to control and reduce impact have been defined.

We will continue to consolidate this model in 2020, in order to maintain the appropriate level of control over the management of any possible impact from these elements.

This process has allowed us to take a step forward in harmonizing corporate control tools with the strategic plan.





- | | | | |
|---|-------------------------------|----|-----------------------------|
| 1 | Regulatory aspects | 6 | Digital business |
| 2 | Cybersecurity | 7 | Operations |
| 3 | Geopolitical context | 8 | Competition |
| 4 | Digitalization of the company | 9 | Succession in key positions |
| 5 | Impact of launches | 10 | Talent |



ALIGNED WITH OUR ETHICS AND OUR PRINCIPLES OF CONDUCT

Our Ethical Code is the main document which underpins all our decisions. It ensures our future sustainability by setting the guidelines for the conduct of all those who work at Puig and is used as a basis to draft policies and processes.

We are aware that any inappropriate conduct on the part of an employee or a third party can affect the reputation and image of Puig. For this reason, we implement the commitments established in the Ethical Code through the following Corporate Policies, which establish the framework of our relations internally, with our stakeholders and with society in general:

- Corporate Fiscal Policy.
- Compliance Policy.
- Policy for Providers and Suppliers.
- Policy on use of Workplace.
- Sustainable Sourcing Policy.
- Digital Disconnection Policy.
- Information Security Policy.
- Integrated Management System Policy.
- Internal Regulation on Powers of Attorney.
- Policy on Conflict of Interest.
- Policy on use of telephone and IT resources.
- Competition Law Policy.
- Policy on receiving and offering gifts.



To ensure that we comply with our values, internal regulations and current legislation and to promote an ethical culture in Puig business operations, we carry out the following actions:

- All Puig employees have access to the aforementioned Corporate Policies through the MyDesk application.
- All employees adhere to the Ethical Code and receive regular training. New hires follow the same process.
- During 2019, an online course was launched for all the employees of the fragrance business unit located in the centers in Spain and France to strengthen their knowledge and practical application of Puig ethics and compliance standards.
- In 2019 we completed the campaign to extend our commitment to the supply chain, with the adherence of our main suppliers to the Puig Ethical Code. Since 2019, any new supplier must adhere to both the Ethical Code and the Compliance Policy as a prerequisite before being approved.
- In 2019 we launched the campaign to guarantee the adherence of all our distributors to the Puig Ethical Code.

In 2019, we started drafting a new Anti-Corruption Policy, which will incorporate, and therefore, render ineffective, some of the aforementioned policies. We also began drafting our Corporate Social Media Policy which was released at the end of the first quarter of 2020.

Our commitment to the defense of human rights, with respect for individual and collective freedoms, rejecting any form of child labor and with respect for people, is also included in our Ethical Code.

Puig does not operate directly in environments where there is a risk of human rights violations or of forced or compulsory labor. Therefore, no claims have been received in this matter.

Our Ethical Code also clearly defines the company's position in favor of diversity and non-discrimination based on sex, race, religion, age, marital status, disability, sexual orientation or nationality, nor do we accept any form of harassment, whether sexual, physical, mental or otherwise.

We have a complaints channel that reports directly to the chair of the Audit Committee of the Board of Directors, which guarantees full confidentiality and resolution in the event of any breaches of the Ethical Code.

COMMITMENT TO PAYING TAXES

Puig firmly undertakes to respect the different locations and regions where it operates, scrupulously complying with our tax obligations directly in the countries in which we are present.

The Corporate Tax Policy establishes the governance framework, principles, values, guidelines and standards that should guide our behavior in terms of paying taxes, as well as our decision-making, to ensure correct compliance with regulations and mitigate risks. And all this always in line with our business strategy while ensuring the proper application of good tax practices and maintaining a relationship of cooperation and transparency with the different tax authorities. Puig does not receive public subsidies.

	Profit ^{46, 47}		Corporate tax paid ⁴⁸	
	2018	2019	2018	2019
Spain	191,913	156,525	47,754	43,491
Rest of Europe	83,721	73,804	17,048	20,469
Americas	44,628	42,241	8,153	15,281
Rest of world	13,176	12,312	1,953	2,484

Our contribution to the SDGs



46 In thousands of €.

47 Sum of the profits of the individual units in each geographic area.

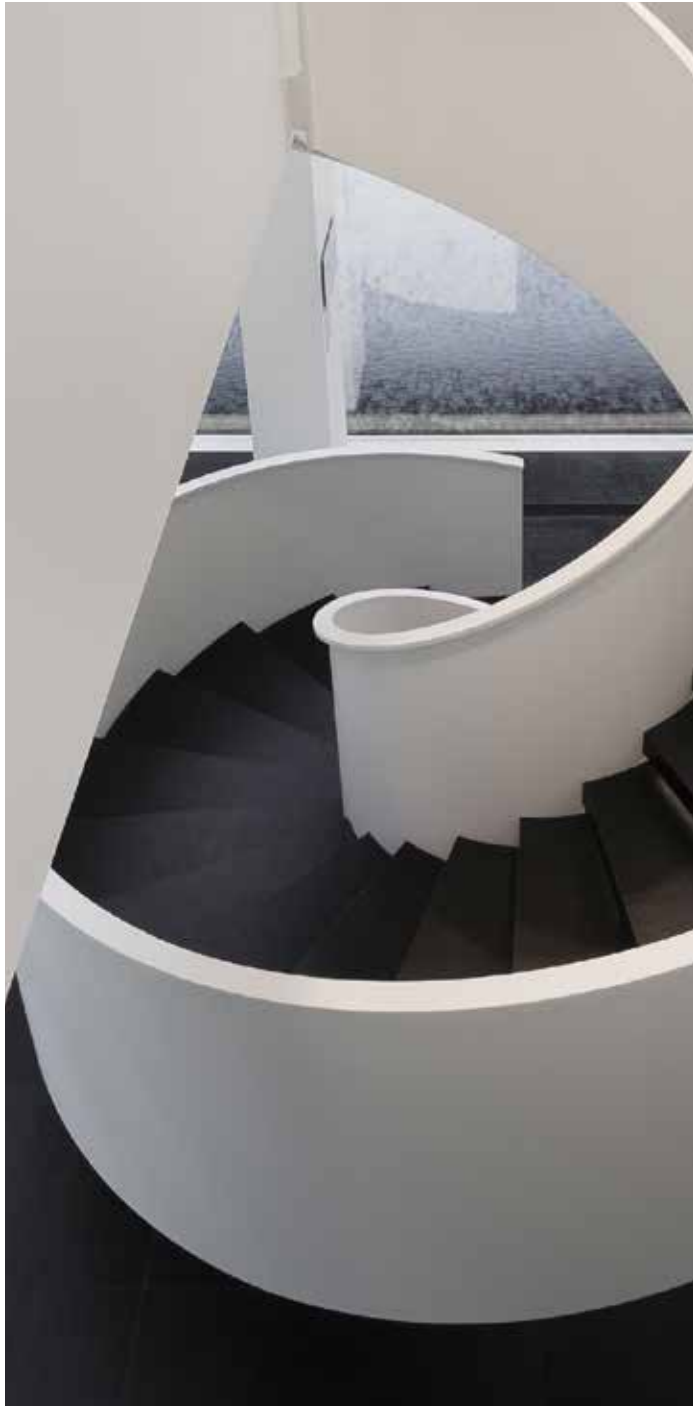
48 In thousands of €.

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In Barcelona, on 31 March 2019:

Mr. Marc Puig Guasch
Chairman and CEO

NOVAQUERN, S.L.
Represented by
Mr. Manuel Puig Rocha
Vice Chairman

EXEA EMPRESARIAL, S.L.
Represented by
Mr. Josep Oliu
Board member

EXEA VENTURES, B.V.
Represented by
Ms. Giovanna K. Monnas
(Identified in her passport as
Ioanna Kampouri)
Board member

Mr. Rafael Cerezo Laporta
Board member

Mr. Jordi Constans Fernández
(Identified in his passport as Jorge
Valentín Constans Fernández)
Board member

Mr. Daniel Lalonde
Board member

Mr. Yiannis Petrides
Identified in his passport as
Ioannis Petrides)
Board member

PUIG, S.L. and subsidiaries

**Independent Review of the Consolidated Statement on Non-Financial Information of
PUIG, S.L. and subsidiaries for the year ended 31 December 2019**

To the shareholders of PUIG, S.L.,

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Statement on Non-Financial Information (hereinafter SNFI) for the year ended 31 December 2019, of PUIG, S.L. (hereinafter the Parent Company) and its subsidiaries (hereinafter the Group) which forms part of the Group's 2019 consolidated Directors' Report.

The contents of the consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation on non-financial information which it is not included in our assurance scope. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Table of required contents pursuant to Act 11/18 of 28 December" of the accompanying consolidated Directors' Report.

Directors' responsibilities

The Parent Company's Board of Directors is responsible for the preparation and presentation of the SNFI included in the Group's consolidated Directors' Report. The SNFI has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "Table of required contents pursuant to Act 11/18 of 28 December" of the aforementioned consolidated Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the SNFI is free from material misstatement, whether due to fraud or error.

The Parent Company's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the SNFI was obtained.

PUIG, S.L. and subsidiaries

**Independent Review of the Consolidated Statement on Non-Financial Information of
PUIG, S.L. and subsidiaries for the year ended 31 December 2019**

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialized in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to the year ended 31 December 2019.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

PUIG, S.L. and subsidiaries

**Independent Review of the Consolidated Statement on Non-Financial Information of
PUIG, S.L. and subsidiaries for the year ended 31 December 2019**

Our work consisted of making inquiries of management, as well as of the different units and responsible areas of the Group that participated in the preparation of the SNFI, in the review of the processes for compiling and validating the information presented in the SNFI and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Parent Company's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the SNFI for the year ended 31 December 2019 based on the materiality analysis performed by the Parent Company and considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the SNFI for the year ended 31 December 2019.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the SNFI for the year ended 31 December 2019.
- Corroboration, through sample testing, of the information relative to the content of the SNFI for the year ended 31 December 2019 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the SNFI of PUIG, S.L. and its subsidiaries for the year ended 31 December 2019 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Table of required contents pursuant to Act 11/18 of 28 December" included in the aforementioned consolidated Directors' Report.

PUIG, S.L. and subsidiaries

**Independent Review of the Consolidated Statement on Non-Financial Information of
PUIG, S.L. and subsidiaries for the year ended 31 December 2019**

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

Barcelona, 27 April 2020.

AUDLAXIS AUDITORES



NOELIA ACOSTA SANCHEZ

