



California Transparency in Supply Chains Act of 2010 disclosure and UK Modern Slavery Act Statement

COTY
SINCE 1904



THIS DOCUMENT IS INTENDED TO SERVE AS:

- (1) Annual statement required to be published for the purposes of the United Kingdom's Modern Slavery Act 2015.
- (2) The required disclosure for the purposes of the California Transparency in Supply Chains Act of 2010.

Consistent with Coty Inc.'s ("Coty" or "We" or "Our") longstanding commitment to excellence and corporate responsibility, including its commitment to employees and consumers throughout the world and to the communities and the environment in which Coty and its products are present, Coty confirms its dedication to ensuring that the supply chains it employs in the sourcing and manufacturing of its products do not include, utilize or tolerate human trafficking, slavery and forced or child labour.

Consistent with its assessment of the potential risks, and in accordance with the California Transparency in Supply Chains Act of 2010 and the UK Modern Slavery Act 2015 (the "Acts"), Coty describes below the efforts that it makes and has made over the past financial year (1 July 2019 - 30 June 2020, which we refer to in this statement as "FY2020" or "fiscal 2020") to ensure human trafficking, slavery and forced or child labour are not present in its operations or the operations of its contractors, subcontractors and suppliers (together "Business Partners").

STRUCTURE AND SUPPLY CHAIN

Coty is one of the world's largest beauty companies with an iconic portfolio of brands across fragrance, color cosmetics, hair color and styling, and skin and body care. In FY2020, Coty had approximately 18,260 full-time employees in over 46 countries. In addition, Coty typically employs a large number of seasonal contractors during our peak manufacturing and promotional season. Coty products are sold in over 150 countries around the world.

During FY2020, Coty changed its reporting structure from the previous category-focused organizational structure that included three divisions (Prestige, Mass Beauty and Professional Beauty), to a structure based on regional commercial business units (Americas, EMEA and Asia-Pacific). These business units focus on three categories:

- Mass Beauty is primarily focused on color cosmetics, retail hair coloring and styling products, mass skincare and body care and mass fragrances.
- Prestige is primarily focused on prestige fragrances, premium skincare and premium cosmetics.
- Professional Beauty is primarily focused on hair and nail care products for salon professionals.

Our supply chain enables the production of our beauty products and daily business operations.

- **Beauty products:** We manufacture, market, sell and distribute a range of beauty products for consumers to enjoy. We manufacture and package approximately 80%

of our products, primarily in facilities located in the United States, various countries in Europe, Brazil, China, Russia, Mexico and Thailand. We continue to utilize a network of third-party manufacturers (TPMs) on a global basis who produce approximately 20% of our finished products.

- **Raw materials:** The principal raw materials used in the manufacture of our products are primarily essential oils, alcohols and speciality chemicals. The essential oils in our fragrance products are generally sourced from fragrance houses. We purchase raw materials from various third parties. We also purchase packaging components that are manufactured to our design specifications. We have identified raw materials where there is an increased risk of human and labour rights abuses and continue to work to mitigate this risk.
- **Licensors:** We have a diverse portfolio of brands. We maintain 27 brand licenses predominantly within our luxury division. We engage the licensors to ensure specific conditions are met, including behaviour of our suppliers, distributors and retailers.
- **Business operations:** As a large global organisation we have other supply chain activities which include offices, marketing, retail stores and websites.

In spring 2020, we announced the sale of a majority in our Professional Beauty and Retail Hair Businesses including the Wella, Clairol, OPI and ghd brands (together the “Wella Business”). Beginning December 1, 2020, the Wella Business is a standalone company, and Coty retains a 40% interest in the standalone entity. This statement, covering fiscal 2020, includes Wella Business operations and associates.

INTRODUCTION

In February 2020, we launched our dedicated sustainability strategy, [*Beauty That Lasts*](#). It was guided by the United Nations Sustainable Development Goals (SDGs) to address the social, environmental and ethical impacts of our business. It is structured around three pillars: Beauty of Our Product, Our People and Our Planet. We have set time-bound targets over a ten-year timeframe, to help us achieve our vision to become a more circular business and create a more sustainable, and inclusive, world.

Our “People” ambitions encompass our ethical business activity throughout our value chain and building a more inclusive business. This includes a focus on diversity, equity and inclusion recognizing the importance of diversity at a leadership level and throughout our whole organization – including diversity of gender, ethnicity, ability, background, gender identity and sexual orientation. Our “Product” pillar priorities include responsibly sourced ingredients, supply chain transparency, sustainable innovation and packaging based on circular design. Finally, our “Planet” pillar sets out how aim to minimize our environmental impact.

Covid-19

In FY2020, the Covid-19 pandemic had a significant impact on our business operations and the communities in which we operate. The health and safety of our associates and their families has been the number one priority for our business. From the early stages of the pandemic, we encouraged our associates to work remotely wherever possible, in line with local public health guidelines. For those in our factories and distribution centers, we acted quickly in accordance with government guidelines to ensure these spaces were Covid-secure, reopening them slowly and only when safe to do so.

Our approach

We believe that everyone has the right to be treated with dignity and respect, and we are committed to respecting and promoting fundamental human rights throughout our own operations and extended supply chain. This includes a dedication to ensuring our sourcing and manufacturing supply chains do not include, utilize or tolerate human trafficking, slavery and forced or child labour and comply with all applicable laws.

Within our own business, we want to ensure that all our associates work in a safe environment that is based on equal opportunity and is free from discrimination or harassment.

Our policies in this area are guided by international standards including the UN Declaration of Human Rights, the fundamental rights set out in the International Labour Organization's (ILO) Declaration on the Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. We have been a signatory to the UN Global Compact (UNGC) since 2015 and support the ten principles on human rights, labour, environment and anti-corruption. We are members of UNGC Netherlands Network which help to continue to develop our understanding of identifying and managing of sustainability topics including human and labor rights risks.

We are also involved in a number of industry efforts related to respecting and advancing human rights in a non-competitive manner:

- The Responsible Mica Initiative (RMI) a multi-stakeholder action group aiming to establish a 100% sustainable Indian mica supply chain by the end of 2022. For further information, see page 6.
- AIM-Progress promotes responsible sourcing practices, including human rights, in supply chains.
- The Responsible Beauty Initiative promotes collaboration and best practices between beauty companies to improve sustainable practices, including on human and labour rights. RBI leverages the EcoVadis network to store and manage the corporate social responsibility details of mutual suppliers within the initiative. This helps to reduce the duplication of effort required to assess shared suppliers of members, and address issues such as human and labor rights within the beauty industry. RBI members now share more than 1,100 scorecards of common suppliers.
- The Roundtable on Sustainable Palm Oil (RSPO) aims to reduce the impact of the palm oil supply chain on human rights as well as biodiversity and the environment.
- SEDEX, or Suppliers' Ethical Data Exchange, is an online portal for storing suppliers' self-assessment and audit documentation focused on the pillars of Human and Labor Rights; Health & Safety; Environment and Business Integrity. Following our risk mapping exercise to identify suppliers at higher risk of non-compliance to our Code of Conduct for Business Partners, we use the SEDEX platform to manage the data from these suppliers' third-party ethical audits.

INTERNAL POLICIES AND TRAINING

Our associates are key to ensuring our business continues to operate to a high ethical standard and internal accountability is fostered. Our associate Code of Conduct sets out what our associates must do to ensure these high standards and outlines the reporting process and protocol if they have any concerns. All associates receive the Code of Conduct and must acknowledge both receipt of and adherence to it. They also undergo a range of mandatory on-line trainings to ensure they uphold these standards.

In the past year, 10,743 of our in-scope associates completed the supporting e-learning on the Coty Academy – a completion rate of 73%. These are available in multiple languages according to the needs of our workforce. By 2025, our goal is to ensure that 95% of associates complete compliance training on a yearly basis.

In 2020, we continued to implement our global compliance program, *Behave Beautifully*, designed to detect and prevent violations of the law and promote a culture of ethical business practices. Our compliance training sets out our standards across a number of areas, including anti-bribery and corruption, competition law, data privacy, and prevention of harassment and discrimination. Covid-19 has presented challenges when it comes to delivering this training, so we are reassessing the best way to ensure that associates have access to this remotely.

We continue to actively encourage employees and third parties to use the Ethics and Compliance Hotline to raise questions or concerns. The Hotline, run by an independent company, is accessible via phone or online in over 300 languages, 24 hours a day, 7 days a week and enables individuals to report anonymously where permitted by local law. Coty conducts prompt and unbiased investigations into all allegations of misconduct, and regularly reports investigation data to the Executive Committee and the Audit and Finance Committee of the Board of Directors. We actively uphold our non-retaliation policy so that individuals are free to report their concerns safely.

SUPPLY CHAIN POLICIES AND TRAINING

Our commitment to respecting human rights extends throughout our supply chain to our Business Partners. With a complex global supply chain, it is essential that we work closely with suppliers to manage any potential risks and help build a better, more sustainable business.

We request that our key in-scope¹ suppliers to sign our [Code of Conduct for Business Partners](#), which sets out our expectations. This includes our current suppliers and any new suppliers we recruit. The Code of Conduct for Business Partners is based on international human and labor rights standards, and slavery and human trafficking in their own businesses and materials supply chains.

In FY2020, we strengthened the Code of Conduct for Business Partners to enhance standards for anti-corruption, data privacy and ethical business. We are in the process of rolling this out, and 187 key in-scope suppliers have signed the new Code of Conduct for Business Partners as of June 2020.

¹ defined as 80% of our overall third party spend across packaging, raw materials and Third Party manufacturing facilities (TPMs)

To support these efforts over the past year we have integrated new supplier sustainability pre-selection criteria into our global Category Sourcing Strategies for key spend categories.

We foster accountability and therefore take any incidents of non-compliance seriously. These would be escalated to appropriate senior leadership and are recorded to ensure we monitor and address as required.

We have also developed third-party due diligence tools and processes designed to evaluate whether our Business Partners are conducting their respective businesses ethically and lawfully. We launched a pilot program in selected markets in early 2020 and plan to launch the program globally by the end of 2021. So far, 276 Business Partners (which covers our suppliers and distributors) have completed the due diligence program.

In addition, our third-party manufacturing agreements include a specific clause requiring suppliers to not use any child or forced labour.

SUPPLIER ASSESSMENTS

Our ongoing compliance verification focuses on those suppliers who are considered at a higher risk of non-compliance to the Code of Conduct for Business Partners. In 2017, we undertook a risk-mapping exercise, considering the material or service being purchased, the geographical region it is provided from, and the level of spend. On the basis of this exercise, we identified approximately 800 direct spend supplier sites in scope at the higher risk level.

We prioritized the compliance verification with our suppliers considered at the highest risk of non-compliance using the Suppliers' Ethical Data Exchange (SEDEX) to comply via a third-party, ethical audit. These audits are either announced or semi announced (undertaken within a two to three-week timeframe) and performed on-site by independent auditors. They cover the areas of labour and human rights (including modern slavery), health and safety, environmental standards and business integrity. Suppliers can select an auditor from an approved list who are SEDEX affiliate audit companies and members of the Association of Professional Social Compliance Auditors (APSCA).

Having largely completed "Wave 1", we have now started "Wave 2", including some indirect supplier sites (suppliers of goods or services such as marketing and professional services) and are our medium risk suppliers. In total, approximately 350 sites have been engaged. In FY2020, we assessed 98 suppliers, covering 149 sites, through the SEDEX self-assessment questionnaire or via an audit if necessary.

We continue to work with our suppliers to resolve any major or critical non-compliances (NCs) through a Corrective Action Plan. Although progress has been slowed due to the Covid-19 pandemic impacting the ability to carry out physical audits, so far 101 of these sites are verified as compliant with our Code of Conduct for Business Partners.

Over the past year, to ensure the audit process and the use of the SEDEX platform is embedded throughout our Procurement teams, we have trained key users linked to the supplier program including teams responsible for raw materials, packaging and third party manufacturers.

In 2021 and beyond, we plan to expand the use of this training, including as part of new suppliers' onboarding process and assessment, as well as with existing suppliers to promote continued compliance.

Ongoing supplier assessment

We have continued to increase our use of the SEDEX audit platform with a focus on direct suppliers at a higher risk of non-compliance to our Code of Conduct for Business Partners. Whereas we use the EcoVadis 360° ESG assessments for suppliers within indirect spend Categories, including service and labor providers.

EcoVadis is used to assess the environmental and social performance of our suppliers, based on supplier documentation related to the four key areas:

- Environment
- Labor and Human Rights
- Ethics
- Sustainable Procurement

EcoVadis analysts assess our suppliers' documentation related to these areas as well as analyze their performance through a thorough 360° process. Both Coty and the supplier receive a report based on 100,000 data points and references including from governments, charities, trade associations and stakeholders. If areas of high risk are identified, a time-bound corrective action plan is put in place and a reassessment timeframe agreed by both parties.

This year, Coty has 198 suppliers assessed in EcoVadis, with 83 assessed in FY2020 receiving an average score of 56.9 out of 100, more than 14 points above the average EcoVadis score. More than 80% of the suppliers get reassessed regularly and the average performance increase has been + 3 points, including +3.4 points on average in the Labor and Human Rights pillar. 64% of our suppliers re-evaluated have shown an overall improvement in their performance score.

ADDRESSING RISKS

In addition to our supplier compliance process, we recognize the increased risks of human and labor rights abuses with certain raw materials.

Mica is a key raw material used in many of our products to provide a pearlescent effect. Coty sources mica from different countries, including the US and India. Within India, and specifically the Eastern States of Bihar and Jharkhand, there are known risks of child labor in mining communities.

Coty is committed to sourcing mica responsibly, and traceability is critical to building a sustainable supply chain. So far, we have traced 97% of our mica to country level and approximately 53% of our Indian mica sources are traceable to mine level. We are in the process of analysing remaining volumes.

In 2017, we became a founding member of the multi-stakeholder effort, the Responsible Mica Initiative (RMI). Coty is active in three of the RMI's workstreams: Traceability and Workplace Standards, Community Empowerment, and Communications. We participate in the annual RMI data collection campaign to gain further visibility. Currently, 95% of our purchased mica comes from suppliers who themselves are members of the RMI. To date, 30,000 people have been positively impacted through RMI programs.

Approved by the Board in March 2021

Signed by Sue Y. Nabi

Chief Executive Officer, Coty