



UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

JANUARY 2018

STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER (CEO)

Since our last progress report Coty has continued to transform with our clear mission, which is to become a true challenger and, over time, a leader in Beauty. We want to be led by our Purpose, "To celebrate and liberate the diversity of your beauty". We believe that Beauty has the power to change the world for the better and the business we are building is one that we want to have a positive impact beyond our direct operations, partners and value chain. In the last year we have started to demonstrate, both internally and externally, how we want to grow by championing more sustainable, positive and inclusive beauty.

Significantly, we have agreed our Responsible Growth Strategy which has been informed by our initial materiality assessment (reported in 2016) and further internal and external stakeholder engagement. The priorities for this strategy include the following areas:

- We aim to explore the potential of circular design in our ingredients and packaging. We have chosen this given the huge potential for innovation, partnership and collaboration. For this area, we are still in the process of fully mapping pilot programmes for brands, categories and materials to inform detailed roadmaps and actions as well as to indicate where we need to explore or build new partnerships.
- Our other priority is radical inclusion. We believe that beauty should make you feel happy and never sad and that freedom of self-expression is critical to the Beauty we want to represent through our brands and their communication. We want to lead the industry in defining how we do this. As part of this we have announced *We Stand for You*, a commitment we have to engage our employees and our wider network in taking a stand against prejudice and discrimination based on gender, sexual orientation, disability and ethnicity. Part of this programme will be supporting external advocacy initiatives in partnership with [Global Citizen](#).

Much of our progress during 2016-17 has been to better understand our own data and baseline for our responsible growth.

- For our own operations we completed our first environmental data collection cycle for the enlarged Coty and assessed our FY17 corporate environmental footprint which will set the baseline across our value chain.
- We consolidated and analyzed our gender diversity data.
- We have 139 suppliers assessed in EcoVadis, representing just over \$1b in spend and conducted a supplier risk mapping over 80% of our supplier base.
- We are actively working in partnership within and outside the Beauty industry to address the UNGC principles collaboratively, and in 2017 we joined and/or helped to found several initiatives: The [Responsible Mica Initiative](#), the [Responsible Beauty Initiative](#), the [Roundtable on Sustainable Palm Oil](#) and [AIM progress](#).

By the end of 2018 we intend to publish our first sustainability report which will report on further impact targets and measures. In the meantime, I am delighted to renew our commitment to the United Nations Global Compact (UNGC) and our engagement to support the Sustainable Development Goals of the United Nations.

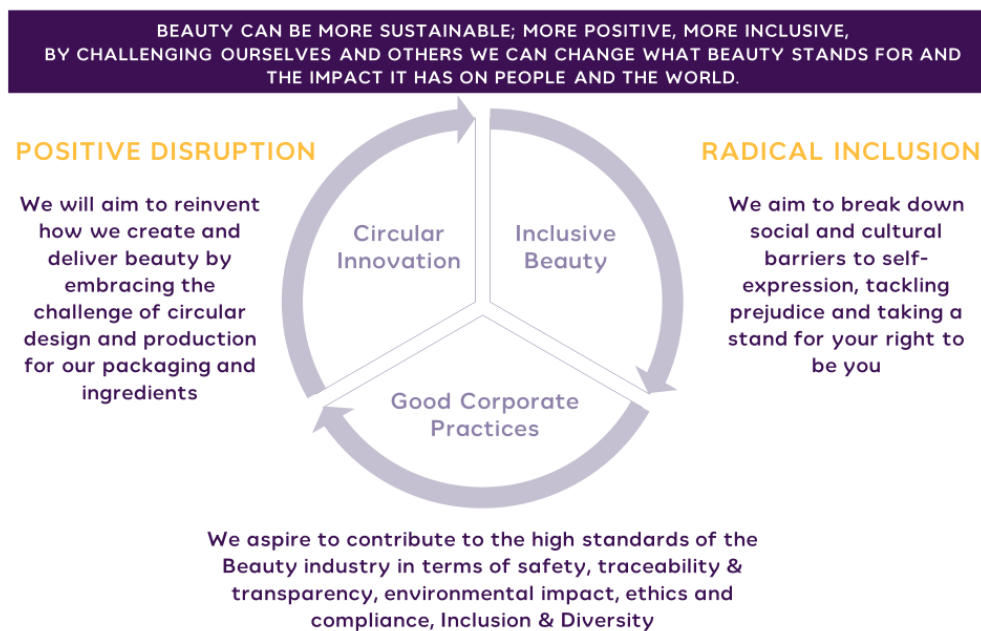
Camillo Pane, CEO, January 2018



OUR STRATEGIC RESPONSIBLE GROWTH FRAMEWORK

In 2017 we undertook a thorough internal engagement exercise building on our original materiality assessment to develop a framework for responsible growth. We engaged colleagues around the world in consultation exercise and agreed the final recommendations with the Executive Committee.

We also established the governance for this strategy with the Responsible Growth Steering Group, which includes Executive Committee decision makers, making operational decisions based on work and recommendations from project teams and proposing strategic recommendations to the Executive Committee. Our Board will review progress annually to direct orientation, support investment and validate our annual disclosures and communication.





WE SUPPORT THE 10 PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT:

HUMAN RIGHTS PRINCIPLES:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;
Principle 2: make sure that they are not complicit in human rights abuses

LABOR PRINCIPLES

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labor;
Principle 6: the elimination of discrimination in respect of employment and occupation

ENVIRONMENTAL PRINCIPLES

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies

ANTI-CORRUPTION PRINCIPLES

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

ACTIVITIES, PARTNERSHIPS AND IMPLEMENTATION IN SUPPORT OF THE GLOBAL COMPACT PRINCIPLES

A: HUMAN RIGHTS AND LABOR (Principles 1 to 6)

In this section we report on our progress, activities, partnerships and outcomes on these two principles under the following headings:

- a) Our Codes of Conduct**
- b) Health and Safety**
- c) Equal opportunity, discrimination and harassment**

a) Our Codes of Conduct

We believe that everyone has the right to be treated with dignity and respect. We are committed to respecting and promoting fundamental human rights throughout our own operations and extended supply chain. We adhere to a number of international standards relevant to corporate responsibility and ethical business conduct including the UN Declaration of Human Rights, the fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. As a signatory to the UNGC we support the ten principles on human rights, labour, environment and anti-corruption.

We are committed to ensuring that all our employees work in a safe environment, that is based on equal opportunity, and is free from discrimination or harassment. Our [employee Code of Conduct](#) sets out what our



employees must do to ensure these high standards as well as outlining the reporting process and protocol if they have any concerns. Our Code of Conduct is included in our mandatory on-line training sessions for all new employees, and is available on our Intranet.

Our commitment to respecting human rights also extends throughout our supply chain to our business partners, suppliers and contractors. We expect our partners to share our values and maintain the same high levels of ethical standards and to promote these within their organisations and throughout their business network. These standards are outlined in our [Code of Conduct for Business Partners](#) and are to be followed in the daily business activities on behalf of Coty. Any suspected issues of non-compliance are escalated to appropriate senior leadership.

Achievements and outcomes

To date, Coty has not been the subject of material investigations, legal cases, ruling, fines or other events related to human and international labor rights violations.

Since our last progress report we appointed a head of Global Compliance who, in collaboration with senior leadership, is responsible for ensuring a robust global compliance program that is designed to detect and prevent violations of the law and promote a culture of ethical business practices. Topics falling into this program include, but are not limited to, anti-bribery/anti-corruption, fair competition, and anti-discrimination and harassment.

In 2017:

- Over 8000 employees were trained online on our Code of Conduct. We also launched an enhanced ethics and compliance hotline that is available to employees as well as third parties, and is accessible via phone or online in over 200 languages. Where permitted by local law, reporters may raise their questions or concerns anonymously. This expanded hotline will continue to be a focus of employee and third party communications in 2018. As part of these communications, we emphasize our no retaliation policy to ensure employees feel safe raising concerns.
- All reports from the hotline are routed directly to our head of Global Compliance who ensures prompt and appropriate handling of the complaint and appropriate investigations. We will be tracking data from the hotline and comparing it to benchmarking to assess its effectiveness.
- We request that our key suppliers, i.e. those representing 80% of our 3rd party spend, sign our Code of Conduct for Business Partners. We have a plan to have this task completed by the end of June 2018. One hundred of our major global suppliers have already signed our Code of Conduct for Business Partners as part of the commercial contract signing process in the last year.
- Around 100 members of the Procurement function (representing 60% of the global team) have been trained on the Code of Conduct for Business Partners this past year. This training covered its impact on suppliers, what they need to do to demonstrate compliance and how we will deploy it effectively with them. There is a plan to complete this training to all this year.



Progress in supplier risk mapping

We have undertaken a supplier risk mapping exercise, based on the risk of non-compliance to our Code of Conduct for Business Partners. This exercise includes the following considerations:

- Suppliers making up 80% of our third party spend. All major categories of spend have been included; in packaging and raw materials, logistics and transport, indirect spend and Third Party Manufacturing (TPM) facilities.
- The risk profile has been calculated taking into consideration the risks associated with the material or service being purchased, the geographical region it is provided from, and the level of spend.

The next steps are to focus first on those suppliers representing a higher risk of non-compliance to our Code of Conduct for Business Partners, and to work with them, putting plans in place so that we can verify, in an agreed timeframe and via an assessment or a 3rd Party audit, that they are in compliance. This will form the basis of our supplier compliance activity, which we intend to be able to measure and report on in years to come.

Continued progress in [EcoVadis](#) 360° documentary ESG audit of suppliers

Through a third party service, EcoVadis, Coty assesses suppliers in a portion of its supply chain to evaluate a number of risks, including the risks of human trafficking and slavery/forced labour, within them. The assessed portion of Coty's supply chains relates to packaging, raw materials, merchandising and gifts with purchase, and some logistics categories.

This assessment covers four key areas:

- Environmental Management
- Labor and Human Rights
- Sustainable Supply Chains
- Fair Business Practices

EcoVadis analysts assess our business partners' documentation related to the four key areas listed above, and analyze their performance through a thorough 360° process which includes over 800 data points and external references from governments, NGO's, trade associations and stakeholder feedback. The assessment is then scored, described in a written report made available by EcoVadis to Coty and the business partner and, depending on the score, includes a Corrective Action Plan (CAP) to be put in place by the business partner and reassessment timeframes.

Achievements and Outcomes

- Coty has 139 suppliers assessed in EcoVadis.
- The average score of these suppliers is 52.9 out of 100, which is more than 10 points above the average EcoVadis score and is higher than our 2016 average of 51.
- We have had 117 re-evaluations in the last year and the average performance increase has been +4.7 points, with 72% of our suppliers re-evaluated demonstrating an improvement in their performance score.
- For suppliers to demonstrate compliance with our Code of Conduct for Business Partners, they must achieve a score of 62 or above in their EcoVadis assessment. We will continue to work with our suppliers



in order to support them to achieve this.

- We have five Coty factories assessed by Ecovadis with an average score of 63.

Partnerships and collaboration

We have joined a number of industry efforts which aim to address specific issues related to respecting and advancing human rights.

Recognising the impact of the palm oil supply chain on human rights, biodiversity and the environment, Coty has become a member of the [Roundtable for Sustainable Palm Oil \(RSPO\)](#). Coty purchases palm oil derivatives which we use in a number of our products and we want to purchase from RSPO certified sources in future. To achieve this we intend to put in place a policy and plan in 2018.

We joined [AIM-Progress](#), a program for responsible sourcing, which includes a focus on the impact of sourcing strategies on human rights. We also became a member of [SEDEX](#) in 2017. SEDEX, or Suppliers' Ethical Data Exchange, is an online portal for storing suppliers' self-assessment and audit documentation focused on the four pillars of:

- Human and Labor Rights
- Health & Safety
- Environment
- Business Integrity

We will use the SEDEX platform to manage the data resulting from 3rd Party ethical audits of those suppliers that are at higher risk of non-compliance to our Code of Conduct following our risk mapping exercise. The audit protocol we prefer to use is the SEDEX Members' Ethical Trade Audit (SMETA) 4 Pillar. In order to demonstrate compliance to our Code through a 3rd Party audit, the supplier would need to have no major or critical non-compliances outstanding.

In January 2017, we became one of the founding members of the [Responsible Mica Initiative](#), a multi-stakeholder effort which aims to achieve a 100% sustainable mica supply chain over the next 5 years (2018-2022) by eradicating child labour and unacceptable working conditions in the Indian mica supply chain.

Mica is a mineral found in many products across cosmetics, automotive, and electronic industries and provides a sparkle or sheen. Mica naturally occurs in many countries around the world, however, in India mica mainly originates from the socially and economically challenged regions of Bihar and Jharkand, where the risks of child labour and unsafe working conditions are high.

We use mica in a number of products and therefore have mapped our current sources of mica. In 2017 almost half of our supply did not come from India. For the remaining supply most of our suppliers are also now engaged in the [Responsible Mica Initiative](#) and have undergone a thorough traceability exercise as part of their member commitments which will be visible to us in 2018. For the remaining suppliers we will work with them in 2018 to map their supply using the tool developed by the RMI.



b) Health and Safety

Progress to improve the safety of our employees

We aim to ensure that our employees can carry out their daily activities safely, in a safe, compliant environment. In the last year and, following our merger, our employee safety principles have been refreshed and a harmonized employee safety program has started to be deployed to the entire organization extending beyond manufacturing sites and distribution centers.

Coty Employee Safety Principles.

- a) Safety starts with me. That is every one of us.
- b) Nothing we do is worth getting hurt for. While performance is key, it must never be at the expense of safety.
- c) All safety incidents are preventable. We must relentlessly target zero accidents.
- d) Every incident will be investigated and corrective measures implemented to avoid repetition (or reoccurrence). Let's make sure we share best practices as well as learnings from mistakes.
- e) We care about doing the right thing and the impact of what we do on our people- we must always protect our community and reputation and strive to meet all our regulatory obligations.

The Coty employee safety program has the following objectives:

- Deploying the Coty Corporate Safety Principles to all employees.
- Sensitizing all employees to the importance of safety at work and emphasizing how every individual has a role to play in behaving safely, applying the safety principles and reporting safety information.
- Establishing processes to effectively report and escalate safety incidents. The intent is to ensure effective investigations are completed and actions are taken to prevent re-occurrence.
- Deploying the accident investigation process and report.
- Launching a harmonized monthly safety incident rate reporting across all 130+ sites including R&D facilities and salons, offices, factories and distribution centres.

Beyond employee safety, in 2018, we will also be introducing an Employee Assistance Programme in all countries to support employees with their general wellbeing, including mental health. Practical information and counselling on a variety of topics will be available to employees, their partners and/or immediate family members. Information can be provided over the phone, via email, or by post; and where necessary counselling is offered at a time and location convenient to the employee. The Employee Assistance Programme can provide support on a wide range of work and personal issues. Although there is no exhaustive list, some examples include: improving relationships, parenting, managing stress, bereavement, maintaining physical health, work life balance.

Achievements and outcomes for employee safety

For employee safety our FY17 Total Incident Rate (TIR) in our plants and distribution centers was 0.42 due to the ongoing implementation of a global employee safety program across the supply chain facilities. No fatal accident occurred.



We do anticipate that as a result of the expansion and increased scope of our employee safety program, that our reporting rate will increase for FY18. From the start of calendar year 2018 the TIR and Recordable* data submitted by each site is being used to create a Monthly Corporate Safety HS&E Report. This is tabled at monthly Executive Committee meetings as well as shared more broadly with the Coty Leadership and Safety community. Employee safety performance will be reported to the Board as part of an annual review of Responsible Growth Strategy.

*we apply the US OSHA definition of a Recordable injury

Safety of our consumers and beauty professionals

Delivering safe products is a core commitment to our consumers and beauty professionals. Human safety assessment is an integral part of our product development process ensuring that all products are safe for their intended use. Applying consistent standards across the world, all our products are assessed by our qualified safety experts as safe for use prior to marketing. All our products are developed, manufactured and packaged in compliance with applicable human safety guidelines and regulations in each country in which they are sold.

Monitoring, assessment and advice

After they are placed on the market we continually monitor the human safety of our products. Our safety experts continually investigate and monitor scientific information to include latest learnings into our safety approaches. Our Consumer Affairs team operates globally and has the responsibility to collect and analyze consumer feedbacks after use of our products. In the event of health related complaints or potential concerns our global Cosmetovigilance group provides expert medical case assessment, trend analysis and feedback for product development as well as reporting to competent authorities.

Regulatory Compliance

We have extensive processes in place to ensure our products are developed, manufactured and packaged in compliance with the strict guidelines and regulations that are relevant and applicable in every jurisdiction where they are sold.

Achievements and outcomes

In the next year we intend to agree which KPI's and measures we currently track on consumer safety and consumer services will form the basis of our external reporting on these topics.

Equal opportunity, discrimination or harassment

We prohibit any form of employee discrimination or harassment based on: race, colour, religion, age, gender, sexual orientation, disability, national origin, citizenship, marital status, veteran status of any other characteristic protected by applicable law. Our Code of Conduct for Business Partners also outlines our expectations in this regard with our suppliers.

In 2017, with regards to sexual harassment, we have proactively reviewed our policies, training and communication and are enhancing those to further reiterate Coty's absolute commitment to an inclusive environment free of discrimination and harassment. Manager training on harassment and discrimination and



proper handling of employee complaints has started to be rolled out in our supply chain function. In the next year this will be extended across other management teams globally.

Radical Inclusion and Diversity at Coty

We want to stand for radical inclusion, going beyond industry standards to create a culture in which everyone can bring their whole self to work. Every one of us at Coty is an individual with unique background, strengths, experiences and perspectives; embracing these differences and furthering diversity throughout our organization makes it – and all of us – richer and better serves our diverse consumers.

We have started work on our internal radical inclusion and diversity strategy and to this end have created an internal multifunctional steering group under the sponsorship of two executive committee members and they are in the process of developing a roadmap for the organization. This group reports via the Responsible Growth Steering Group to the Executive Committee and annually to the Board.

This roadmap will include:

- How we include all employees to build radically inclusive business.
- Work on developing diverse leaders to strengthen equality of opportunity in the most senior levels of our business.
- Review of all our learning and development programs with our radical inclusion ambition in mind.
- Exploring how we align to the UN Free and Equal Standards of Conduct for Business for tackling discrimination and related human rights abuses affecting the LGBTI community.
- Further understanding our diversity data and metrics beyond gender statistics such as age, nationality, ethnicity and disability.
- Setting timebound commitments.

Achievements and outcomes

To date, due to our ongoing transformation we have not yet developed all the tools required to collect globally the broadest spectrum of data needed to reflect our commitment to radical inclusion. In the first year we have prioritized collecting and analysing gender statistics for our FY17 (July 2016 – June 2017):

- Total workforce: 56% female, 44% male
- Female managers*: 49%
- Women in leadership** positions: 40%
- Women in Executive Committee: 11%
- Women in Board: 11%

* A manager is defined as "having at least one direct report"

** internal definition: a leadership position is defined as "grade 1 to 5"



Future intent

We Stand For You – our new social action program to tackle prejudice and discrimination

We have created “We Stand For You” to tackle the prejudice and discrimination which stops people from being able to express their true selves. Our initial focus will be on discrimination based on disability, ethnicity, gender and LGBTI by mobilizing and uniting our people, inspiring our brands and creating positive social change.

To help us do this we have created a partnership with international advocacy group, [Global Citizen](#). The long-term partnership will focus on those who face discrimination based on their gender, sexual orientation, disability or ethnicity by challenging the norms, stereotypes and policies that perpetuate prejudice and discrimination around the world. Addressing these issues will aim to support some of the most marginalized and vulnerable in society who are also often the most likely to be living in the cycle of extreme poverty. Working together, Coty and Global Citizen are committed to challenging such prejudices and discrimination.

Through this partnership, Coty colleagues around the world will use their collective voice to advocate and campaign for social change via online engagement, and immersive action. Together with Global Citizen, Coty aims to approach employee engagement in a different way by offering a digital-led online experience, combined with local grass-roots action to create change. The bespoke platform which Global Citizen and Coty will co-create is a first of its kind, using innovative data science technologies to allow employees to take action on these issues.

We Stand for You Impact targets

Over the next year we are prioritising employee engagement. In the first year of this program we aim to engage 15% of our online workforce through the platform. We will support this with ongoing measurement of key performance indicators related to the engagement and interaction with the platform. These include the average number of actions taken, views of articles and time spent viewing each article.

We are aligning our impact targets with the Global Citizen campaigns we are supporting throughout the year. The two main campaigns are:

1. #LeveltheLaw which aims to change the unjust laws that discriminate against girls and women,
2. Global Partnership for Education (GPE), which aims to provide equal access to quality education around the world.

Our impact targets for 2018 are:

- Amend the Bangladesh Child Marriage Restraint Act 2017 and close loopholes that allow girls under 18 to be married in “special cases”.
- Repeal and replace the Malawi Citizenship Act, 1964 with a new Citizenship Act to ensure that women have the same rights as men prescribed under the constitution.
- \$2.4B (USD) of new commitments to GPE in 2018. Including specific target pledges from donor countries.
- Increase to 20% of total government expenditure on education by at least 4 of GPE’s development partners in 2018.



We will also measure our senior leadership advocacy activity qualitatively to understand our impact as a business to raise awareness of the Global Citizen movement and our partnership.

B - ENVIRONMENTAL PRINCIPLES (Principles 7 to 9)

Acknowledging the evidence for climate change, and along with other US businesses, local government and academic leaders, we have signed the [We are Still In](#) open letter pledging our continued support for climate action to meet the Paris Agreement. As part of the international community, we have a responsibility to limit global temperature rises to no more than 2°C and to support the transition to a clean energy economy which will benefit our collective security, prosperity, and health. We aim to apply precaution and consider the degree of uncertainty that appears from scientific evaluation, risk assessment, risk management and risk communication when there is reasonable suspicion of environmental harm.

In the next year we intend to explore Science Based Targets. We will aim to define emissions targets that could meet these criteria and at the same time set targets for water, waste and energy. We aim to share these targets in our next report.

Achievement and Outcomes

- In 2017 we developed and agreed a set of environmental principles which are available on Coty.com to guide how we will reduce our environmental impact and improve our environmental performance in the execution of our business strategy and in our operations.
- We established organizational accountability and appointed a Senior Vice President of Supply Chain as overall leader to manage our corporate environmental impact. In the next year he will directly oversee activity in our supply chain as well as coordinate objective setting and progress with all other functions.
- We measured our own environmental baseline using FY17 as the reference year. Additionally, we extended our work to our environmental footprint across our global value chain.

We have established the environmental footprint for our own operations.

In 2017 we strengthened and harmonized our Environment, Social and Governance (ESG) performance tracking. We deployed a global monitoring and reporting tool. CR360 to enable us to provide consolidated, reliable and verifiable data across all our sites by collecting data, track KPIs, define targets and generate scorecards at global, divisional and regional levels.

We are tracking our main environmental indicators such as our carbon emissions, energy, water and waste consumption for all our owned sites. We trained our colleagues in both our production and administrative sites to the use of this new data collection tool, part of this training included raising awareness of best practices in terms of environmental management. For this first reporting year, we excluded our studios and retail sites as this data was not easily available, we intend to cover all of our own sites in future.

For FY17 our factories represented at least 80% of the water consumption, waste generation and GHG emissions. We intend to develop both global and local actions plans focusing on the activities where our impacts are the highest. As we are in the process of defining our targets we will disclose more intensity indicators in our next report aligned with our main environmental objectives.

Carbon

From our FY17 baseline, our environmental footprint weight is 13.02 tCO₂e per million\$ net revenue, covering scope 1 & scope 2 (owned production & distribution sites, offices, company vehicles).



Waste

We aim for 0% waste to landfill. Due to the merger with P&G Specialty Beauty in 2016, we experienced a delay in the achievement of this goal and we postponed the deadline to the end of this year. For FY17 7% waste from our own factories was still sent to landfill. Each of our factories have an action plan confirmed. Our recycling rate for factories is 63.5%. We do aim to improve this rate over the years by implementing new waste management processes and by engaging our people on this objective.

Energy:

As a pilot, all sites (including factories) in Germany are now CO₂ neutral on electricity with this energy provided only by wind and water.

We have defined our global environmental footprint

We know that the environmental impact from our own production is limited compared to the impact of our global value chain. In 2017 we conducted a an environmental footprint study to cover our global value chain as of 30 June 2017*¹ from sourcing raw materials up to the end of life impacts of our products. Through an internal engagement process, we collected data from all functions and worked with an external expert agency to define our main environmental hotspots. For this first global environmental footprint we assessed six main indicators: carbon footprint, water footprint, biodiversity preservation, air quality, water quality and mineral & fossil resource depletion to give us a picture as wide as possible.

OUR CORPORATE FOOTPRINT PROVIDES A WIDE VIEW OF ENVIRONMENTAL IMPACTS



Carbon Footprint

- Global warming



Water Footprint

- Water consumption
- Regional water stress



Biodiversity

- Land use
- Ecotoxicity
- Acidification
- Excess nutrients



Air Quality

- Particulates
- Smog



Water Quality

- Water ecotoxicity
- Freshwater and marine water eutrophication



Resources depletion

- Mineral and fossil resources

Our results are in line with what could be anticipated given the nature of the Beauty sector. Our global carbon emission footprint represents 1.6 Bn of tons of equivalent CO₂.

Consistent with other Beauty industry insights three categories contribute the most to our environmental footprint.

- Purchased goods (both packaging & raw materials) (38%)
- Consumer use of sold products (25%), mainly due to the energy used to heat hot water to use some products
- Logistics covering both upstream & downstream transportation (16%).

In the next year we intend to further analyze these results to define our main priorities and objectives and associated action plans. We intend to use a collaborative and cross-functional process to establish our time

¹ EXCLUDING studios, own retail sites, marketing materials and also total value chain in relation to both ghg and Yunique businesses.



bound targets and define the actions we need to implement to improve our environmental impacts quickly where we can and what actions will require more long-term strategies and collaboration with others.

C- ANTI-CORRUPTION PRINCIPLES AND IMPLEMENTATION (Principle 10)

Our Code of Conduct outlines that each Coty employee must deal fairly with Coty's customers, suppliers, service providers, competitors, external advisers, employees and anyone else with whom he or she has contact in the course of performing their job. Employees are prohibited from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. Our Code of Conduct for Business Partners also outlines this.

One of Coty's five cultural values is Be Brave and Go Beyond which clarifies that our behaviours are not acceptable if they are at the expense of ethical behaviour.

Achievements and outcomes

In 2017

- We had no public legal cases regarding corruption.
- We appointed a Senior Vice President in a new role that leads the Global Compliance function, reporting to the Chief Legal Officer, General Counsel & Secretary. This new head of Global Compliance, in collaboration with senior leadership, is responsible for ensuring that Coty has a robust global compliance program that integrates and updates our anti-corruption policies, training and oversight mechanisms. Progress on the program, including performance metrics will be reviewed quarterly by the Board's Audit and Finance committee.
- Face to face training on anti-corruption principles took place in Brazil and China to be further implemented in other key markets.
- Over 8,000 Coty employees completed online training on our Code of Conduct, which specifically includes our rules and expectations around anti-corruption.
- In addition to peer to peer connection by our Global Compliance Head, we joined [AIM Progress](#) and co-founded the [Responsible Beauty Initiative](#) both of which aim to raise standards and promote a fair business environment as well as the opportunity to initiate multi stakeholder dialogue and, if necessary, action on challenges of corruption. This peer to peer and industry collaboration respects all legal parameters regarding interactions with competitors.

In the next year we intend to:

- Define benchmarks and indicators regarding our anti-corruption initiatives and report these in our sustainability report.
- Implement a more systematic tracking of completed training with follow up of non-completion as well as how this training is extended to non-online populations and business partners/distributors.
- Continue to update and build policies to strengthen our anti-corruption initiatives and ensure these are extended to our wider value chain for instance agents, intermediaries, and consultants.



- Strengthen instructions for our procurement, financial and internal audit teams for how to identify red flags and report them to compliance so that we can promptly take any appropriate remedial actions.

ENGAGING OUR PEOPLE AND PARTNERS IN THE PRINCIPLES AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As a first step to integrate the Sustainable Development Goals (the Goals) into our objectives, we have mapped the Goals against our Responsible Growth Strategic Framework. The Goals are interconnected and the four we have identified as strategic priorities are the most interconnected with the others. By contributing to them in the execution of our responsible growth plans, we will directly or indirectly impact all the others. In the next year we intend to define a set of KPIs and measures to track our intended positive impact.



Strategic priority



Direct impact



Indirect impact

Progress in internal engagement on responsible growth and Sustainable Development Goals

- Our Changemakers are a global network of over 200 employees across 19 countries who are helping to minimize our impact on the planet, support our brands with purpose and create a positive social impact in and around the communities in which we operate. In the last year we have trained them on the Sustainable Development Goals.
- Over 180 young leaders applied to represent Coty at the 2017 One Young World Summit. Fourteen were selected. On their return from the 2017 Bogota summit the team proposed six projects to the Senior Leadership team for implementation in the business. By end January 2018 three had been agreed to be implemented from 2018 and a further three were integrated with existing initiatives.
- In the development of our responsible growth strategic framework we consulted over 900 employees across 34 countries through a variety of channels and focus groups.



Responsible Beauty Initiative

We are working with competitors Clarins, Groupe Rocher & L'Oréal to share and increase sustainable practices across the collective supply chain in Beauty with the aim of improving its environmental footprint and social impacts. The initiative aims to do this by:

- driving a common understanding of sustainability performance across the industry
- sharing best practices and processes
- leveraging common tools to create efficiencies and benefits for suppliers.

The [Responsible Beauty Initiative](#) is built on a Corporate Social Responsibility (CSR) rating platform, operated by EcoVadis, as a common foundation for supplier assessment and interaction.

TALK TO US

Should you have any comments or questions on any of these topics please contact Coty_CSR@cotyinc.com.

