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COTY

Independent Limited Assurance Report to COTY on a selection of non-financial performance Indicators published in the 2018 COTY United Nations Global Compact Communication on Progress

For the year ended 30th June 2018
COTY SAS
14, rue du Quatre Septembre – 75002 Paris
This report contains 5 pages and 18 pages of appendices

KPMG S.A.,
société française membre du réseau KPMG
constitué de cabinets indépendants adhérents de
KPMG International Cooperative, une entité de droit suisse.

Société anonyme d'expertise
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aux comptes à directoire et
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To the Vice President, Corporate Responsibility,

We were engaged by the Corporate Responsibility team of COTY S.A.S. ('COTY') to provide limited assurance on a selection of non-financial performance indicators¹ (the 'Data'), selected by COTY Group and identified by the symbol ✓ in the COTY Group United Nations Global Compact Communication on Progress for fiscal year ended 30th June 2018 (the 'Report').

Management's responsibilities

COTY Corporate Responsibility team is responsible for the preparation and presentation of the Report in accordance with the guidelines ('the Guidelines') as described within the Report and for establishing and maintaining appropriate performance management and internal control systems from which the non-financial performance indicators are derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that COTY complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the Report (including the Data) are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

¹ **HR performance indicators:** Total workforce broken down by gender, Total number of women in leadership positions, Total number of women managers, Total Incident Rate (TIR), Number of actions taken on Global Citizen, Number of employees engaged on Global Citizen.

Social performance indicators: Number of suppliers assessed on EcoVadis, Number of suppliers that have signed the Code of Conduct for Business Partners, Number of employees trained on the Code of Conduct.

Environmental performance indicators: Carbon footprint (Scopes 1 & 2).



Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. The conclusion expressed below relates solely to the Data and not to the whole Report. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Data is free from material misstatement.

KPMG S.A. applies International Standard on Quality Control 1 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.

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, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on a selection of non-financial performance indicators consists of making inquiries, primarily of persons responsible for the preparation of Data presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Assessing the reporting Guidelines related to the non-financial performance indicators with regard to their relevance, reliability, neutrality, understandability and completeness.
- Interviews with senior management and relevant staff at headquarters level and selected business unit level concerning the Guidelines, and the implementation of these across the business.
- Interviews with relevant staff at the corporate and business unit level responsible for providing the Data in the Report.

- Performing tests of details based on sampling, selected on the basis of a risk analysis, to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out on a selection of entities² contributing to the reported data and represents between 20% and 100% of consolidated data.
- Conducting consistency tests on the Data consolidation at Group level.

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 obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the Data presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Data, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Data is not presented, in all material respects, in accordance with the above-mentioned reporting Guidelines.

This report is addressed to your attention in the context of the publication of the Report and is not to be used, circulated, quoted or otherwise referred to for any other purposes.

² Ashford factory (United Kingdom), Senador Canedo factory (Brazil), Bournemouth distribution center (United Kingdom), Goiania distribution center (Brazil), Paris offices (France).

Other Matter

Without qualifying our conclusion, we recommend to improve the traceability of the information relating to the data for total workforce and women leaders, in particular the connections between local and global HR data.

Paris-La Défense, April 2, 2019

KPMG S.A.



Anne Garans
*Partner
Sustainability Services*

Appendix: Coty's 2019 United Nations Global Compact Communication on progress



UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

JANUARY 2019

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

For the fourth consecutive year, Coty confirms its support for the Global Compact's Ten Principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. We want to build a business that is prosperous for all and recognize the positive contribution that businesses can make in helping to achieve a more sustainable and equitable world.

Our commitment to uphold the Ten Principles of the United Nations Global Compact has guided the evolution of our Responsible Growth framework, which has been further refined in the past year and consists of two core pillars:

- Building an inclusive and open culture, reflected in the way our brands communicate as well as in our internal practices and values. As a business that believes that freedom of self-expression is critical to the Beauty we want to represent, we will engage our employees and partners to take a stand against prejudice and discrimination based on gender, sexual orientation, disability and ethnicity.
- Exploring the potential of circular innovation, both in ingredients and packaging, given the significant potential for innovation, partnership and collaboration. We have started to develop our capabilities through internal training, innovation challenges and expert partnerships and by starting pilot programs for brands, categories and materials to inform actions for the future.

While we focus on the ongoing transformation and completion of the P&G Specialty Beauty Business integration, we are taking time to review our evolving Responsible Growth framework to ensure that it is fully aligned with our strategic roadmap for future growth. Nevertheless, we intend to ground our future focus areas in fundamental actions needed for our business, environmental footprint and our people, many of which are covered by this report.

To this end I am pleased to detail our progress in all areas of the Global Compact's Ten Principles along with a description of the processes, policies and actions taken to further integrate them into our plans, culture and daily operations.

Yours sincerely,



Pierre Laubies, CEO, January 2019



RESPONSIBLE GROWTH GOVERNANCE

Our Vice President, Global Corporate Responsibility oversees the Corporate Responsibility team that work closely with functions, divisions and brands across the globe as well as external partners to ensure consistency and alignment of our Responsible Growth framework. The Responsible Growth Steering Committee, consisting of Executive Committee (EC) members, receives quarterly updates on progress and takes the operational decisions required to support the delivery of initiatives. Progress is reported to the Executive Committee, chaired by the CEO, twice a year. The EC have the responsibility of setting the strategy and allocating resources accordingly. It is intended that our Board will review this progress annually.

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

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) 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 based on equal opportunity, 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. All employees receive the [Code of Conduct](#), and undergo a range of mandatory on-line trainings.

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 organizations and throughout their business network. These standards are outlined in both our [Code of Conduct for Business Partners](#) and our [Modern Slavery Statement](#) that 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

Our global compliance program, 'Behave Beautifully', is designed to detect and prevent violations of the law and promote a culture of ethical business practices. 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, our Global Compliance team, in collaboration with senior leaders, who are responsible for ensuring a robust global compliance program, are delivering a suite of e-learning modules relating to our #behavebeautifully initiative which includes the following mandatory courses.

- Anti-Bribery and Corruption
- Competition law
- Conflicts of Interest
- Data Privacy
- Preventing Harassment and Discrimination

In addition, 9,835⁴ employees have been trained on our [Code of Conduct](#) from the period January 1st 2018 - June 30th 2018.

We also launched an enhanced ethics and compliance hotline, run by an independent company, which is available to employees as well as third parties. The hotline is accessible via phone or online in over 300 languages 24 hours a day, 7 days a week. Where permitted by local law, individuals may raise their questions or concerns anonymously. Throughout 2018, we continued to communicate and emphasise Coty's non-retaliation policy to ensure employees feel safe raising concerns.

We report on both progress of our global compliance progress and investigation data regularly to the Board and to the Executive Committee. The reported metrics focus on allegations of misconduct, including intake method, issue type, status and resolution, amongst others.

With regards to our supply chain, we request that our key, "in-scope"^{*}, suppliers, sign our Code of [Conduct for Business Partners](#) as a first step of the compliance process. This includes our current suppliers and any new suppliers we recruit. To date, 120⁷ of these suppliers have signed our [Code of Conduct for Business Partners](#) and approximately 50 suppliers have provided an equivalent code to which they are complying. For our existing in-scope suppliers, we have a plan to have this task completed.

Within the past year we have integrated new supplier sustainability pre-selection criteria into our global Category Sourcing Strategy training, which has been deployed in key markets and will continue to be rolled out in the coming year.

^{*} defined as 80% of our overall third party spend across packaging, raw materials, logistics and transport and logistics, gifts with purchases and Third Party Manufacturing facilities (TPMs)

⁴ Limited assurance provided by KPMG



Progress in supplier risk mapping and compliance verification

We have undertaken a supplier risk mapping exercise for all in-scope suppliers based on the risk of non-compliance to our [Code of Conduct for Business Partners](#). 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 result of this risk mapping is that we have around 800 supplier sites in-scope, and a ranking of these suppliers risk of non-compliance to our Code. We are prioritising our engagement with those suppliers who are considered a higher risk of non-compliance and we have begun the compliance verification process, using the SEDEX online platform, to ensure that those suppliers, considered as a higher risk, are able to demonstrate compliance via a third party ethical audit.

In order to be able to embed this in the day-to-day supplier risk management process within our Procurement function, specific training is being rolled out on audit process management and the use of SEDEX to key Procurement users in the coming year.

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 labor. 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 suppliers 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 and made available to Coty and the supplier. If the score warrants it, a Corrective Action Plan (CAP) will be put in place by the supplier and a reassessment timeframe agreed by both parties.

Achievements and Outcomes

Coty has 155[†] suppliers assessed in EcoVadis with an average score of 54 out of 100, more than 12 points above the average EcoVadis score and higher than our 2017 average of 52.9. We have had 84[†] re-evaluations in the last year and the average performance increase has been +3.2 points, with 63% of our suppliers re-evaluated demonstrating an improvement in their performance score. We have also assessed five Coty factories by EcoVadis and achieved an average score of 63.

[†]Limited assurance provided by KPMG



Coty is a founder member of the Responsible Beauty Initiative (RBI), which uses the EcoVadis platform to store and manage the corporate social responsibility details of the mutual suppliers within the membership. The aim of this forum is to reduce the disruption and duplication of effort of these mutual suppliers as well as to focus on specific issues, such as human and labor rights, within the beauty industry. The first pilot of the RBI was for raw materials suppliers, and Coty was able to share over 50 suppliers within the membership, for which we are able to access an additional 25 suppliers from the other members.

Partnerships and collaboration

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

Roundtable for Sustainable Palm Oil

Recognising the impact of the palm oil supply chain on human rights as well as 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 have put in place a plan to purchase 100% of the palm oil and palm kernel oil (PKO) derivatives used in our manufacturing sites, according to the RSPO Mass Balance certified chain of custody system by the end of 2022.

In the first year we have an ambition to purchase 20% of our palm oil derivatives as RSPO Mass Balance certified. We have begun this by implementing RSPO management standards in two of our factories (Rothenkirchen in Germany and Granollers in Spain) and by engaging key RSPO certified suppliers to support our plan. These sites, as well as our Supply Chain main office will be RSPO audited in the coming year.

AIM-Progress and SEDEX

We are members of AIM-Progress, a program for responsible sourcing, which includes a focus on the impact of sourcing strategies on human rights, as well as of SEDEX. 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 are using the SEDEX platform to manage the data resulting from third party ethical audits of those suppliers that are at higher risk of non-compliance to our [Code of Conduct for Business partners](#) 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

⁴ Limited assurance provided by KPMG



our [Code of Conduct for Business Partners](#) through a third party audit, we insist that the supplier remediates any major or critical non-compliances through a corrective action plan.

Responsible Mica Initiative

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 sourced from the regions of Bihar and Jharkhand carry a high risk of instances of child labour and unsafe working conditions.

We are members of the Responsible Mica Initiative (RMI), a multi-stakeholder effort which aims to achieve a 100% sustainable mica supply chain by eradicating child labour and unacceptable working conditions in the Indian mica supply chain. Coty has a role on the Board of RMI and is active in each of the three RMI work-streams – Traceability & Specifications, Community Empowerment and Legal Framework & Advocacy. The members are making progress to put pilot projects in place on the ground in India which will shape a future legal, sustainable and child-labour free industry. We have engaged the seven suppliers from whom we source Indian mica to share with us the visibility of their supply chains through the supply chain traceability 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 in a safe, compliant environment. Following the development of our safety principles last year, we delivered global communication campaigns #safetyfirst and #safetystartswithme to share and explain the following principles with all employees.

Coty Employee Safety Principles.

1. Safety starts with me. That is every one of us.
2. Nothing we do is worth getting hurt for. While performance is key, it must never be at the expense of safety.
3. All safety incidents are preventable. We must relentlessly target zero accidents.
4. Every incident will be investigated and corrective measures implemented to avoid repetition (or recurrence). Let's make sure we share best practices as well as learnings from mistakes.
5. 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.

Achievements and outcomes for employee safety

For employee safety, our FY18 Total Incident Rate* (TIR) in our factories and distribution centers was 0.30¹ compared to 0.42 the previous year with no fatal incidents occurring. Such positive improvements in our TIR score are the results of improved communication and awareness of our safety program including the appointment of over 68 trained safety leads across the business to help put our local health and safety policies into practice and to support local campaigns to keep safety at the front of people's minds.

We have also greatly improved the way we record, report, review and escalate any safety concerns or incidents. Having established these improved processes, we are better able to investigate and take action to prevent reoccurrences. Our harmonized monthly safety incident rate reporting now includes a consistent way to measure all incidents across 130 sites including, R&D facilities, salons, offices, factories and distribution centers. A corporate safety report is tabled at monthly Executive Committee meetings and is shared more broadly with the Coty leadership and safety community. In FY19, we intend to develop Health and Safety KPI's and to deliver a global Health and Safety policy.

*Total number of Recordable Incidents** multiplied by (200000/total number working hours on a 12 month rolling average) - data presented excludes offices, studios and retail sites for FY18

**We apply the US OSHA definition of a Recordable Injury

¹Limited assurance provided by KPMG



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

Our R&D function is responsible for maintaining internal guidance on ingredient use and formulations. Our experts continually investigate and monitor scientific information to include latest learnings into this guidance as well as incorporate insights from consumer studies and the latest industry and regulatory discussions. Our sources of information include Governmental resources, consortia, associations, scientific literature and consultants as well as data from our own Cosmetovigilance, Consumer Affairs and Consumer Insights and trends processes.

We continually monitor the human safety of our products after they are placed on the market. 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 which will form the basis of our external reporting on these topics.

Wellbeing

Beyond employee safety, in 2018, we launched a new multi-country Employee Assistance Program (EAP) platform, under a single supplier, across 28 countries to support employees with their general wellbeing, including mental health. Practical information and counselling is available on a variety of topics 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 Program can provide support on a wide range of work and personal issues. Although

[†]Limited assurance provided by KPMG