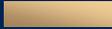




California Transparency in Supply  
Chains Act of 2010 disclosure and  
UK Modern Slavery Act Statement

**COTY**  
SINCE 1904



## DECEMBER 2021

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 labor.

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 2020 - 30 June 2021, which we refer to in this statement as "FY2021" or "fiscal 2021") to ensure human trafficking, slavery and forced or child labor 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 FY2021, Coty had approximately 11,645 full-time employees in over 36 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 130 countries around the world.

Coty's organizational reporting structure is based on regional commercial business units (Americas, EMEA and Asia-Pacific). These business units focus on two categories:

- Consumer Beauty is primarily focused on mass color cosmetics, body care, mass fragrances and nail care products.
- Luxury is primarily focused on prestige fragrances, premium skincare and premium cosmetics.

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 and China. 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, fragrance oils alcohols and speciality chemicals. The essential and fragrance 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 labor rights abuses – mica and palm oil – and continue to work to mitigate this risk.
- **Licensors:** We have a diverse portfolio of brands. As of 30 June 2021, we maintained 25 brand licenses predominantly within our luxury division. We engage the licensors to ensure specific conditions are met, including the behavior of our suppliers, distributors and retailers.
- **Business operations:** As a large global organization, 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 an interest in the standalone entity. This statement, covering fiscal 2021, excludes 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 we aim to minimize our environmental impact.

## Covid-19

In FY2021, 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 labor 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, labor, environment and anti-corruption. We are members of UNGC Netherlands Network which helps continue to develop our understanding in identifying and managing 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% responsible Indian mica supply chain by the end of 2030. For further information, see page 7.
- 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. Through RSPO, we aim to purchase 100% mass balance-certified palm oil for our production sites by 2022, and our third-party manufacturers by 2025.
- AIM-Progress promotes responsible sourcing practices, including human rights, in supply chains. Coty is also a member of the network's targeted Impact Measurement Group workstream, which aims to align on an approach to measure the impact of responsible sourcing on people.
- The Responsible Beauty Initiative (RBI) promotes collaboration and best practices between beauty companies to improve sustainable practices, including on human and labor rights. RBI leverages the EcoVadis network to track and improve the sustainability performance 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 2,524 scorecards of common suppliers. In FY21, Coty participated in the publication of a White Paper which provides guidance and best practice for suppliers seeking to improve their sustainability practices and EcoVadis score. To support implementation of recommendations, Coty participated in two webinars, which collectively reached close to 500 participants.

- SEDEX, or Suppliers' Ethical Data Exchange, is an online portal for storing suppliers' self-assessment and audit documentation focused on the pillars of Labor Standards; Health & Safety; Environment and Business Ethics. 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 are expected to sign and adhere to it. Training on the Code of Conduct is provided to all new associates at the time of joining, with additional training provided globally every two years.

By 2025, our goal is to ensure that 95% of associates complete compliance training on a yearly basis. In FY21, 4,818 of our in-scope associates completed the supporting modules on the Coty Academy – a completion rate of 98%. These are available in 13 languages.

In 2021, 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. In FY21, to ensure that our policies remain accessible and meaningful, we updated all policies (including the Code of Conduct). We created a series of additional guidance documents related to specific issues, which our employees must adhere to, such as workplace harassment, charitable contributions, preventing workplace discrimination and others.

We continue to encourage employees and third parties to use the Ethics and Compliance Hotline to raise questions or concerns. The hotline is available through multiple channels and many languages. Reporting can be made anonymously, and each report is investigated. The issues received through the hotline are evaluated by the Compliance function to ensure a proper risk assessment of the concern or issue(s) raised. We report complaints data and risk areas on a quarterly basis to the Board and internal audit committee. 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 require suppliers to adhere to our [Code of Conduct for Business Partners](#) (CoC), which sets out our expectations for anti-corruption, data privacy and human and labor rights, among other practices. Compliance with the CoC, or agreed equivalent, is a requirement

of working with us. We include the CoC when requesting quotes from suppliers and embed it within Terms & Conditions of purchase orders.

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. Our CoC has evolved in recent years to enhance standards for anti-corruption, data privacy and ethical business. As of June 2021, 459 business partners had signed the CoC.

We value our partnerships and want to help stakeholders improve their sustainability performance. If a supplier does not meet the CSR performance requirements, we work together with them to develop and follow up on priority actions towards compliance, through a Corrective Action Plan (CAP). The CAP is signed and will set out a clear time frame for achieving improvement before a reassessment is undertaken.

In 2021 we deployed a responsible sourcing framework covering all elements relevant to our business partners, with key indicators to monitor progress. Supplier performance against the framework is considered when: Assessing performance of existing suppliers, defining a supplier panel to be briefed, awarding business, and identifying potential new suppliers. We have a grievance policy in case of lack of meaningful actions in order to highlight the seriousness of compliance.

We also use third-party due diligence tools and processes designed to evaluate whether our Business Partners are conducting their respective businesses ethically and lawfully. In 2020, we launched a pilot program in selected markets, and this year, we have begun expansion of the program globally. To date, 131 relevant business partners have completed the due diligence program, which covers all our high-risk vendors, suppliers and distributors.

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

## **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. We use both an external risk assessment tool and the SEDEX radar risk assessment to determine which sites are high risk. Both tools consider the material or service being purchased, and geographical region it is provided from. We are using a wave approach to prioritize sites for assessment and engagement and are in the progress of updating our mapping.

We prioritized the compliance verification with our suppliers considered at the highest risk of non-compliance using the SMETA (SEDEX members ethical trade audit) third-party, ethical audit. Audits are performed by independent auditors and can be semi-announced (with a three-to-four-week audit window) or unannounced. Where there is an audit already in place, we accept an announced audit but request all future audits to be semi-announced. We use the four pillar [SMETA audit](#). Audits cover the areas of:

- Labor and human rights (including modern slavery)
- Health and safety
- Environmental standards
- Business ethics

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).

As of June 2021, 697 sites were assessed under the SEDEX ethical trade program, of which 159 were further assessed through audit and 152 through self-assessment questionnaire. We continue to work with our suppliers to resolve any major or critical non-compliances (NCs) through a Corrective Action Plan.

Our SEDEX partnership continues to be key. We have an ethical trade coordinator dedicated to Coty from SEDEX, who assists in the whole process and engages with our suppliers to work together on compliance.

### **Ongoing supplier assessment**

We are continuing to increase the use of both SEDEX and EcoVadis to demonstrate and assess supplier performance. 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. 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. With EcoVadis, both Coty and the supplier receive a report based on supporting documents from the supplier and 100,000 data points and references, including from governments, charities, trade associations and stakeholders.

Using the EcoVadis platform, 274 suppliers were assessed in FY21, scoring on average 28% higher than the overall EcoVadis average. For Labor and Human rights specifically, our score was on 24% higher than the EcoVadis average at the time of release.

In FY21, we also ran three training sessions for global category buyers and directors with EcoVadis experts, helping to strengthen our internal understanding of best practice in socially and environmentally responsible procurement.

### **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. In 2017, we became a founding member of the multi-stakeholder effort, the Responsible Mica Initiative (RMI). We participate in the annual RMI data collection campaign, sharing details of our mica sourcing, and are working towards full traceability of processing units and mines to gain further visibility.

In 2021, the Responsible Mica Initiative (RMI) has updated its 2022 target to reflect a set of new ambitions for 2030. This reflects the impacts of Covid-19 on mine workers, a change in project scope, and the political climate in India - which has posed challenges for the implementation of a legal framework. As a member of the RMI, Coty has correspondingly aligned our efforts towards a new ambition: We will ensure 100% of Indian Mica is responsibly sourced by 2030.

This target is delivered through three new 2030 pillars, aligned to the RMI framework:

- Ensure all Coty's mica sourcing from Jharkhand and Bihar is compliant with globally recognized responsible workplace standards
- Ensure all mica-dependent villages we source from are covered by community empowerment programs, thanks to a coordinated approach
- Advocate to have all mica workers benefiting from a clear and enforced legal framework

To improve the impact of our mica sourcing, we continue to strengthen traceability across our supply chain. We can trace all the mica we source to the country level. Of this, 68% of our mica is sourced from India, and 100% of our Indian mica is sourced from suppliers who are members of RMI, allowing for a collaborative approach. We continue to work on enhancing our traceability mapping to mine level and advancing the RMI's efforts by encouraging our suppliers to take part in pilot projects.

In 2021, Coty has also joined a new partnership between the RMI and the supply chain traceability platform, Tilkal. This is the first multi-stakeholder blockchain-based solution to improve traceability across mica supply chains. Together, the partners will launch a pilot project for an online platform providing full traceability of mica to the mine and processor level. Through the project, blockchain technology will be used to help make timely and accurate data collection possible across the entire mica supply chain, helping RMI to improve data transparency, maintain security and better understand the supply chain. We are one of eight companies taking part in the pilot, as of the launch of this report.

Approved by the Board in December 2021

Signed by Sue Y. Nabi

Chief Executive Officer, Coty