



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, 9,835[✓] 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, 120[✓] 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)

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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.

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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

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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 reoccurrence). 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 0.30[✓] 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

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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

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there is no exhaustive list, some examples include: managing stress, improving relationships, parenting, bereavement, maintaining physical health and work life balance.

In 2019, we will be looking to explore additional employee wellbeing initiatives and programs to further enhance a culture of wellbeing across the organization.

C) 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 2018, with regards to sexual harassment, we 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 and in the next year this will be extended across other management teams globally.

Inclusion and Diversity at Coty

We want 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. We believe that 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 inclusion and diversity strategy and to this end have created an internal multifunctional steering group under the sponsorship of two executive committee members. In order to drive our inclusion and diversity program forward, we have appointed a Global Director of Inclusion and Belonging who joined Coty in January 2019 and they will lead the process of developing a roadmap for the organization.

This roadmap will include:

- How we include all employees to build an 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 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 time bound 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 inclusion. In the first year we have prioritized collecting and analysing gender statistics for our FY18 (July 2017 – June 2018):

Workforce Gender Statistics:

Year Ended 30 June	2018		2017	
	F	M	F	M
Total workforce	57% [✓]	43% [✓]	56%	44%
Managers*	49% [✓]	51% [✓]	49%	51%
Leadership** positions	40% [✓]	60% [✓]	40%	60%
Executive Committee***	20%	80%	11%	89%
Coty Board***	11%	89%	11%	89%

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

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

*** please see Coty.com for interim updates in between formal YE figures.

In 2018 we developed online learning resources through our Coty Academy. These include modules on Unconscious Bias and Better Performance With Diversity.

As part of our inclusion and diversity strategy, Coty aims to build a business that is more inclusive and accessible for people with disabilities. To demonstrate our commitment to ensuring the rights, freedoms, dignity and inclusion for all persons with disabilities, we have signed the Global Disability Summit: Charter for Change and over the next 18 months we will work on a roadmap to develop our foundations. It includes:

- Data analysis.
- Inclusive Impact Assessments on company policies.
- Raise awareness and understanding of disabilities both internally and externally.
- Campaigning to reduce stigma and discrimination against people with disabilities through 'We Stand For You'.

We Stand For You – tackling 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 is 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.

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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 are able to use their collective voice to advocate and campaign for social change via online engagement, and immersive action. Together with Global Citizen, Coty has created a digital-led online experience, combined with local grass-roots action to create change. The bespoke 'We Stand For You' platform which

Global Citizen and Coty have co-created is a first of its kind, enabling employees to take action on issues they care about. This moves beyond traditional forms for corporate community engagement, and is a new form of employee activism.

In October 2018 we expanded the coverage of the platform to include employees in Germany based in our Darmstadt office. The platform has now been launched in 40 countries around the world.

We Stand for You Engagement targets and campaigns

Over the past year we have been prioritising employee engagement and are working towards a target of 25% of our online workforce being engaged through the platform. We will support this with ongoing measurement of key performance indicators related to the adoption and interaction with the platform. These include the average number of actions taken, views of articles and time spent on the platform. We will report our progress towards meeting our targets annually. Between the period February 2018 – 30th June 2018, there have been 7,189[✓] actions taken by 1830[✓] employees.

We are aligning our impact targets with the Global Citizen campaigns we are supporting throughout the year. We started with supporting campaigns on gender equality including #LeveltheLaw which aims to change the unjust laws that discriminate against girls and women.

In 2018 campaigns supported by Coty colleagues have led to:

- 3 million euro commitment from the Belgium Government to enable more women and adolescent girls access to reproductive health services;
- The UK government pledging £112 million to girls' education;
- The Netherlands pledged around \$116.8m USD (€100m EUR) to the Global Partnership for Education over three years;
- The Gambia, repealing and reforming sexist laws.

Our partnership is also enabling Global Citizen to expand into policy and campaign work on disability and LGBTI rights, which it had not been doing previously. These campaigns will be launched over the next six months, mobilizing both Coty employees and Global Citizens across the world.

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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. 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.

Achievement and outcomes

In 2018 we ran scenario-planning models to help identify actions and opportunities to explore the potential of developing Science Based Targets.

Next Steps

In 2019 we expect to review environmental targets, and complete a climate change risk assessment of our business.

Environmental footprint of our own operations.

Throughout the last year, we have worked on improving the monitoring and data quality of the environmental footprint for our own operations and, for the first time, an independent third party has verified our Scope 1 & 2 CO₂e emissions.

We have continued developing the use of our EHS reporting tool, CR360, to integrate more sites and new colleagues, as well as increasing the frequency of reporting on some sites. Our scope of reporting has remained the same compared to the previous year and includes all sites where we have full operational control (manufacturing, distribution centers and offices) but excludes studios and retail sites due to a lack of available data.

Our manufacturing operations represent our biggest direct environmental impacts, with around 80% of our water, energy consumption and waste generation, along with related greenhouse gas emissions, relating to this activity.

Energy & Carbon:

Having established our baseline in FY17, we have reduced our carbon footprint by 9% in absolute terms during FY18 and by more than 25% when compared to the intensity ratio of tonnes of CO₂e per \$m revenue for Scope 1&2 carbon emissions.

During 2018, the rationalization of our estate portfolio across the globe has helped to decrease the energy requirement by over 3% as we streamlined the business, realising efficiencies. In addition, we now have a total of four offices with a green building rating from HQE, LEED or BREEAM,

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with our New York office rated LEED Gold, our Paris Gretry office having achieved HQE & BREEAM Excellent, our Paris Metropolitan office, HQE Excellent and our London Paddington office achieving BREEAM Excellent.

Our manufacturing and distribution centers energy portfolio in Germany became CO₂ neutral at the beginning of January 2018. All purchased electricity at these sites is from renewable sources, complete with guarantee of origin certificates and all emissions from our purchased natural gas are offset using verified carbon credits. In 2019 we will be piloting energy studies in our factories to further gauge opportunities for energy reduction possibilities.

Carbon footprint

Year ended 30 June		2018	2017
Scope 1	Thousand tonnes of CO ₂ e	32.12 [✓]	40.41
Scope 2 (Location-based)	Thousand tonnes of CO ₂ e	63.43 [✓]	64.5
Scope 2 (Market-based*)	Thousand tonnes of CO ₂ e	56.23 [✓]	59.12
Scope 1 & 2 normalized by revenue¹	Tonnes of CO ₂ e per US\$m	10.16	13.71 ²
Scope 3³	Thousand tonnes of CO ₂ e	46.62	54.07
Total emissions¹	Thousand tonnes of CO ₂ e	142.18	158.98

*Supplier specific/contract specific renewable electricity emissions

¹ Using location-based emissions (country specific, national average energy emission factors)

² FY17 revenue only includes three financial quarters of P&G Beauty Business acquisition

³ Scope 3 emissions include the indirect emissions from business travel, water use, waste and energy transmission losses

Waste:

We have a zero waste to landfill target for all our owned manufacturing sites by the end of December 2018. In FY18, manufacturing sites representing around 90% of our production achieved zero waste to landfill. The three remaining sites continue to send waste to landfill but the largest of these, accounting for 9% of our global production, has a clear plan in place to reach the target by January 2019. Much of the improvement to our waste to landfill performance has been the result of better working practices and collaborations with our waste suppliers where, as an example, we have started to introduce waste to energy schemes.

Our recycling rate for FY18 is 65% compared to 67% in FY17, largely as a result of better data quality with regards to both the quantity of waste and treatment type. With improvements in our waste to landfill figures, we are confident that our recycling figures will increase over the coming year and we have also implemented initiatives to encourage employees to cut down on waste and recycle more. For example, we now provide refillable drinking vessels in our Paris office instead of disposable ones and, at one of our production sites in Brazil, we now compost waste from our water treatment plant to use as fertilizer for our on-site garden.

Water:

Water use at Coty remains relatively consistent year on year when comparing FY17 and FY18 with approximately 1 million m³ of water used each year. Having established that the main impacts of water use come from the use of our sold products, we will still focus on ways to reduce our water consumption during the manufacturing stage. With the implementation of

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our EHS data tool, CR360, our manufacturing sites are now able to benchmark and compare data with other factories. In FY18, as a result of these comparisons, one of our factories established that water consumption was higher than the benchmark average and investigated ways in which water efficiencies could be realised during the batch change process. As a result of implementing a new process, water consumption for this particular process was 22% lower when compared to water consumption prior to this change.

Next year we intend to develop water targets for all manufacturing sites, which will begin with pilot studies to investigate the possible reduction opportunities, and we will also undertake a water stress study to determine if and where our production processes are most likely to affect the availability of water.

Our global value chain – made to be made again

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 an environmental footprint study to cover our global value chain¹, from sourcing raw materials through to the end of life impacts of our products. At the beginning of FY18, we further refined the details of this study to ensure that our initial estimates were as accurate as possible.

Our global carbon emission footprint represents 1.6m tonnes of CO₂e emissions.

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

- Purchased goods (both packaging & raw materials) (50%)
- Logistics covering both upstream & downstream transportation (21%).
- Consumer use of sold products (9%), mainly due to the energy used to heat hot water to use some products

¹ Excludes studios, own retail sites, marketing materials and also total value chain in relation to both ghd and Younique businesses.

Achievements and outcomes

Over the past year, our Responsible Growth Steering Committee has allocated resources and identified single points of contacts on a wide variety of topics ranging from packaging, raw materials and fragrances in order to help identify and drive plans to improve our environmental value chain impacts. Focus groups and innovation labs have been held on topics relating to our brands, categories and materials, and have identified potential opportunities for further exploration and development, which will help inform our targets and ambitions.

For example, our packaging experts are actively working on plans to reduce unnecessary plastic use and the overall environmental footprint of our packaging, in line with our aim to explore more circular design and production in our packaging. Our participation in the Ellen Macarthur Foundation's CE100 program, as well as in the Sustainable Packaging Initiative for Cosmetics (SPICE*) is informing our approach to the reduction of plastic use and to addressing other material packaging impacts such as metal and glass.

[✓] Limited assurance provided by KPMG



In the next year:

- We intend to evaluate the results from our innovation labs and workshops to further inform our objectives and associated action plans.
- Given the complexity of our supply chain with relation to the full integration of P&G Beauty Business acquisition, we have yet to fully understand what opportunities exist for reducing carbon emissions relating to the delivery of our raw materials and the distribution of our products. In FY19, we intend to pilot a transport study at our distribution centers in order to help inform and develop our targets related to this category.



ANTI-CORRUPTION PRINCIPLES AND IMPLEMENTATION (Principle 10)

Our [Code of Conduct](#), supported by our global anti-bribery and anti-corruption policy and procedures, provides clear and strong guidelines relating to anti-corruption and bribery and explicitly prohibits the corruption and bribery of both public and private officials.

Achievements and outcomes

In FY18:

- We had no legal cases regarding corruption.
- We have launched the global anti-corruption and anti-bribery policy and procedures along with guidance and education on gift giving.
- We have launched the global mandatory online anti-corruption and bribery training available in 12 languages.
- We supplement this with face to face training on ethics and compliance, including anti-corruption principles, throughout the world.
- Between January 1st 2018 and June 30th 2018, 9,835[✓] Coty employees completed online training on our [Code of Conduct](#), which specifically includes our rules and expectations around anti-corruption.
- We have mapped around 800 supplier sites and ranked each against risk of non-compliance to our [Code of Conduct for Business Partners](#), which includes anti-corruption risk.
- We have begun the compliance verification process, using the SEDEX online platform, to ensure that those suppliers representing a higher risk of non-compliance to our [Code of Conduct for Business Partners](#) are able to demonstrate compliance via a third party ethical audit.

In the next year we intend to:

- Define benchmarks and indicators regarding our anti-corruption initiatives.
- Extend tracking of completed training with follow up of non-completion as well as how this training is provided to selected third parties.
- Continue to update and build policies to strengthen our anti-corruption initiatives and ensure that these are extended to our wider value chain, for instance, agents, intermediaries, and consultants.

[✓] Limited assurance provided by KPMG



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

In considering how we integrate the Sustainable Development Goals (the Goals) into our agenda, we have mapped the Goals against our Responsible Growth Strategic Framework and identified four priority goals, 5, 10, 12, 17 acknowledging that by contributing to them in the execution of our responsible growth plans, we will directly or indirectly affect all the others.

The Goals are communicated throughout our business and extensively within the One Young World and Change Maker communities. In doing so, we are able to leverage the passion and ability of our employees to help bring the Goals to life and to raise awareness of their significance.



Strategic priority



Direct impact



Indirect impact