



## COTY UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

JANUARY 2017

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

Since our last progress report Coty has started to transform itself as a business to become a true challenger in the Beauty industry. In October 2016 we closed the merger with the Procter & Gamble Specialty Beauty business, in November 2016 we announced the acquisition of ghd, a premium hair appliances company and, in January 2017, a partnership with Younique, an online peer to peer social selling platform in Beauty. We appointed a new leadership executive team and organized our business into three distinctive divisions: Coty Consumer Beauty, Coty Luxury and Coty Professional Beauty. We have brought together a powerful portfolio of much loved beauty brands and some of the world's most talented people in beauty and consumer goods.

It is my great privilege to be CEO at such a transformational moment and moreover I'm convinced we can make sustainability and corporate responsibility core to our long term ambition. I am therefore very proud that, as a first step, Coty is a signatory of the United Nations Global Compact (UNGC) and I hereby renew our engagement to support the ten principles on human rights, labor, environment, and anti-corruption.

In this Communication On Progress, we do not intend to report in detail on each principle, nor are we in a position to disclose our future strategy yet. Our goal is rather to report on the transformative projects that will enable us to integrate both businesses, align principles, processes, tools and set integrated baselines and objectives to measure our progress in the future.

Since our last update we have:

- focused on understanding our internal and external stakeholders' expectations as well as the economic, social and environmental impacts our business decisions and operations create.
- started to implement new tools and monitoring systems to harmonize and improve Environment Social Governance (ESG) data quality and reporting.
- enhanced supplier and stakeholder engagement through the creation of sectorial initiatives and taken a stand on some social and environmental issues linked to the sourcing of raw materials.
- guided our internal CSR ambassadorship by linking our actions to the sustainable development goals (SDGs) of the United Nations.

In the next year I want our organization to focus and clearly define what role we want to play in society and how we will make a positive impact that is engaging and authentic. I'm convinced that our new corporate purpose "We celebrate and liberate the diversity of your beauty" can be the foundation for an inclusive and inspiring strategy.



CAMILLO PANE

CEO, January 2017



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

### **HUMAN RIGHTS PRINCIPLES:**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

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 labor;

Principle 5: the effective abolition of child labor; and

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.



## OUR COMMUNICATION ON PROGRESS

### 1 – MATERIALITY ASSESSMENT

For long-term success in a highly competitive industry it is crucial to focus our resources on areas that really matter. We identified a list of 22 Environmental, Social and Governance (ESG) issues framed into six categories, using global non-profit BSR's expertise and knowledge of the beauty and consumer goods sector. We defined and weighted criteria to evaluate each issue according to its importance to our stakeholders and to its influence on business success. The map identifies areas of overlap between business success and importance to a wider scope of stakeholders, as shown below. We engaged a variety of stakeholders through qualitative interviews and on-line survey, including our new executive leaders, CSR ambassadors, retailers, suppliers, licensors and trade associations. These insights, combined with a benchmarking of industry peers, will enable us to evaluate our current performance, identify future risks and opportunities to improve our corporate responsibility practices.





## **2 – INTEGRATION AND UNDERSTANDING OUR STARTING POINT**

As Coty transforms and integrates we have begun a program aimed at clarifying our social and environmental principles, consolidating all the data available and best practices from all parts of the business. This work will enable us to understand our new baseline against which we will track improvements and impacts moving forward. A set of KPIs and impact indexes is being defined.

A first step is to strengthen and harmonize our ESG performance tracking. We will achieve that by deploying a global monitoring and reporting online which will enable Coty to provide consolidated, reliable and verifiable data across all our sites by collecting social and environmental data, track KPIs, define targets and generate score cards at global, divisional and regional levels. We have started implementation with our factories and headquarter offices and we will progressively integrate other operational and commercial sites to complete the global reporting.

As part of the integration we have updated and re-issued our internal Code of Conduct and we are also in the process of updating our Code of Conduct for Business Partners. We operate within the spirit and letter of the law, maintaining high ethical standards wherever we conduct business. We expect our partners to share our values and promote the application of these high standards both within their organization and throughout their business network. With our business partners we note that Coty supports the United Nations Universal Declaration of Human Rights and is signatory to the United Nations Global Compact, which means that we support principles in four important areas: human rights, labor rights, protection of the environment and the fight against corruption.

## **3 – EXTENDED RESPONSIBILITY ACROSS OUR SUPPLY CHAIN**

### **EVALUATING OUR SUPPLY CHAIN CSR PERFORMANCE THROUGH A THIRD PARTY CERTIFICATION: ECOVADIS**

Since we launched the Ecovadis program, a third-party documentary audit certification, we have evaluated and monitored the sustainability performance of more than 50% of the spend under our CSR scope, which includes the categories of raw materials, packaging, marketing materials, logistics and third party manufacturers.

We are committed to continue deploying this third party assessment and engage our suppliers in a continuous improvement process. We are now in the process of integrating the suppliers brought into Coty by the P&G Specialty Beauty merger in this program. This means that at the end of December 2016, although the percentage coverage of CSR spend has dropped slightly to 41%, the absolute spend under assessment in these categories has increased by over 35%. Most of our suppliers ranked in the Opportunity zone, meaning that they have a structured and proactive corporate responsibility approach with some engagements and tangible actions, but with some improvement opportunities.

### **GO BEYOND WITH SECTORIAL INITIATIVE "MAKING BEAUTY RESPONSIBLE"**

Additionally we recognize mutual interest for the Beauty industry to collaborate on the supply chain to better engage and improve the performance of our suppliers, while fighting against audit fatigue, by sharing performance scorecards. Building on the Ecovadis program, we have partnered with some other proactive Beauty businesses to create a sectorial initiative called "Making Beauty Responsible" which will be launched officially in the coming weeks.



## RESPONSIBLE MICA INITIATIVE

Mica can be found in a large variety of consumer goods and industry materials, from automotive to coating, electronic components and construction materials, to cosmetics. Although most of Coty's sourcing of mica comes from other regions, we have decided to become one of the founding members of the "Responsible Mica Initiative" focused on the complex issue of the mica supply chain in India and instances of child labor. We want to lend our voice and to work in partnership with suppliers of raw materials, car, paint, electronic and beauty industries to improve the sourcing traceability, the education of children and their families on human rights and empower local communities to diversify their income.

## PLASTIC MICROBEADS REPLACEMENT

In light of concerns about the effects of microplastic pollution in the oceans and water streams, Coty ceased using plastic microbeads\* in all new products developed since 2014 because the size of these beads were too small to be filtrated and captured in water treatment. In 2016 we completed the work needed to replace plastic microbeads in the existing formulas of our global portfolio ensuring that replacement materials respect human and environmental health and safety, while maintaining the quality and efficacy of our products. These new formulas are being phased into our manufacturing processes and this work will be complete before 1st July 2017.

\*We follow the definition provided in the US Federal Microbead-Free Waters Act of 2015: 'Plastic microbead' means any solid plastic particle that is less than five millimetres in size and is intended to be used to exfoliate or cleanse the human body or any part thereof.

## 4 - CSR AMBASSADORSHIP DEEPENED

The Coty CSR Ambassador network unites purpose driven colleagues who have a passion and enthusiasm for bringing positive change and well-being to their environment, community and workplace. This network is open to any Coty employee who volunteers around the world. We support the sustainable development goals of the United Nations and discuss monthly what we can do at our level to tackle global social and environmental challenges through innovative and effective solutions. We glocalize! - Think global and act local. During 2016 we increased the numbers to 160 CSR Ambassadors in 36 different cities across 19 countries.

This past year the ambassadors planned and participated in special events contributing to several sustainable development goals. To share just a few examples of what was accomplished:

- Chartres factory contributed to SDG15. They adopted several sheep in the green area surrounding the plant to take care of the lawn, the biodiversity came back almost instantly with birds nesting and very rare night butterflies, beehives installed are prospering. The change was also beneficial to the employees creating a bond with nature and additional sense of wellness.
- In March we celebrated International Women's Day by organizing events in our sites to raise awareness about gender bias and promote gender equality contributing to SDG5.
- In the summer, beach cleaning took place in partnership with Love the Ocean Davidoff campaign contributing to the SDG14.
- In December ambassadors organised clothes, toy, food drives in many different locations to share with people in need, contributing to the SDG10. As an example, the Sanford factory supported the United Way of Lee County including a volunteer fair, raffle, plant-wide competition resulting in \$50.000 in donations.



## **FUTURE INTENT**

As Coty transforms we are gaining a better understanding of our material impact areas. We are putting in place the right tools and processes that will enable us to understand our starting point and strengthen our reporting capacities to disclose the positive impact of our efforts. By the end of 2017 we plan to share our strategic orientation, powered by our purpose and values and including measurable target impacts. Should you have any question please contact [Coty\\_CSR@cotyinc.com](mailto:Coty_CSR@cotyinc.com).



**COTY**  
BEAUTY, LIBERATED