



COTY AUSTRALIA HOLDINGS PTY LTD
AND ITS SUBSIDIARY COMPANIES

MODERN SLAVERY STATEMENT
2020

This Modern Slavery Statement ("Statement") has been prepared as a joint statement in accordance with The Modern Slavery Act 2018 (Cth) ("the Act") by Coty Australia Holdings Pty Ltd ACN 626 169 711 (the "Company") and its wholly-owned subsidiary Coty Australia Pty Ltd ACN 000 303 391 (collectively referred to as "Coty Australia" or "We" or "Our"), for the financial year ending 30 June 2020.

Coty Australia Holdings Pty Ltd is a reporting entity for the purpose of the Act, incorporated on 13 June 2018. The Company is an immediate parent to Coty Australia Pty Ltd incorporated on 3 March 1960, operating in Australia and is a reporting entity for the purpose of the Act. Coty Australia Pty Ltd maintains 100 percent ownership in Gresham Cosmetics Pty Ltd (ACN 052 404 985), which is a non-trading entity incorporated in Australia and is a non-reporting entity for the purpose of the Act.

The Company is also an immediate parent of the following Australian entities that are non-trading as at 30 June 2020: Coty Australia Legacy Pty Ltd (ACN 058 696 549); HFC Prestige International Australia Pty Ltd (ACN 608 686 773), both are non-reporting entities for the purpose of the Act.

As at 30 June 2020, the immediate parent entity of the Company is Coty UK Limited, a company incorporated under the laws of the United Kingdom.

STRUCTURE AND SUPPLY CHAIN

Structure

Coty Australia is ultimately owned by Coty Inc., a company incorporated under the laws of the United States of America.

Coty Inc. 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. Coty Inc. and its affiliates worldwide (collectively referred to as "Coty") engage in the manufacturing and marketing of women's and men's fragrances, color cosmetics, skin care and other personal care related products in many countries throughout the world. Through successful product developments, licensing agreements and acquisitions, Coty has established itself as one of the world's leading beauty companies.

Coty Australia's registered office and its principal place of business are as follows:

<u>Registered office</u>	<u>Principal place of business</u>
Level 31 1 Market Street Sydney, NSW 2000	Level 31 1 Market Street Sydney, NSW 2000

As of June 2020, Coty Australia had 193 employees, out of which 61% are engaged in sales, marketing and educational activities. The remaining employees perform commercial, finance, and supply chain functions.

Operations

The principal activities of Coty Australia in the course of the financial year ended 30 June 2020 were the importation, marketing and distribution of fragrances, toiletries, cosmetics, hair care and colouring products in the Australian market.

Coty Australia imports products purchased predominantly from related party suppliers, with 98% of Coty Australia's products manufactured and packaged by related party and third-party manufacturers in the facilities located in the United States and various countries in Europe, Brazil, China, Mexico and Thailand.

Coty Australia engages with predominantly Australian third-party providers of marketing services on short-term contracts to execute Coty's brand strategy. In addition, Coty Australia may engage cleaning and maintenance service providers for the corporate office.

Coty Australia distributes products through various distribution channels, including distributions to salons, department stores, supermarkets, specialized beauty stores, and pharmacies.

Supply Chain

Coty Australia manufactures approximately 2% of its products in Australia through a third-party manufacturer. Coty Australia engages a local third-party re-packaging company to rework approximately 21% of its products in Australia to meet local customer labelling and packaging requirements. These third-party providers are members of Sedex Australia and are audited to comply with their membership requirements.

The remaining products sold by Coty Australia are manufactured by related party and third-party manufacturers in countries in Europe, Thailand, Brazil, China, the U.S., and Mexico. The products manufactured in each of the countries are shipped to related party distribution centres. From there, these products are sent to be warehoused in Australia.

As of 30 June 2020, all products sold by Coty Australia were warehoused across three distribution centers in Australia via third-party logistics contracts with Linfox Australia Pty Ltd ("Linfox") and DHL Supply Chain (Australia) Pty Ltd ("DHL").

RISKS OF MODERN SLAVERY PRACTICES IN THE OPERATIONS AND SUPPLY CHAIN

Coty Australia along with Coty has a strict 'Code of Conduct' in place. The Code of Conduct sets out Coty's policies and ethical standards that must be understood and followed by everyone who acts on behalf of Coty. This includes contractors and employees of Coty subsidiaries and joint venture companies. In addition, the Code of Conduct specifies Coty's expectation that third parties including consultants, agents, suppliers and business partners, adhere to Coty's ethical standards.

It is a condition of every employee's employment with Coty Australia, including directors, officers and employees that the Code of Conduct must be complied with. Violations of the Coty Code of Conduct are not tolerated and subject to disciplinary measures including termination of employment.

Under the Code of Conduct, Coty Australia insists that all of its business be conducted in compliance with all applicable laws, rules and regulations. It is the responsibility of every director, officer, employee and contractor to comply with all applicable governmental laws and regulations at any level in the states and countries in which Coty operates. Failure to obey all applicable laws and regulations violates the Code of Conduct. Any illegal action will be dealt with swiftly, and violations will be reported to the proper authorities

Coty Australia along with Coty seek to maintain their reputation as an outstanding company that ensures high levels of employee motivation and commitment, and strives to provide employees with an equitable, safe and healthy work environment. Coty Australia is committed to providing equal employment opportunities to employees and applicants regardless of race, color, religion, age, gender, sexual orientation, disability, national origin, citizenship, marital status, veteran status, or any other characteristic that is protected by the laws and regulations to which Coty Australia is subject. In addition, Coty Australia fully complies with workplace safety and health rules and regulations.

Coty Australia's employment and remuneration practices comply with the Fair Work Act 2009. All new employees are provided with the 'Fair Work Information Statement' setting out their statutory entitlements. Coty Australia has equitable workplace policies and procedures in place that apply to, recruiting, hiring, training and development, promotion, transfer, compensation, termination and benefits. As such, Coty Australia believes that the risk of modern slavery in its directly employed workforce is low.

Some of the countries of packaging and manufacturing Coty's products may have higher inherent geographic risk rating (based on Global Slavery Index) of modern slavery due to socio economic factors (such as poverty) as well as a generally high risk of modern slavery associated with the cosmetics industry due to variety of raw materials required for the production, resulting in a following modern slavery risk for Coty Australia:

- Reliance on third-party suppliers of raw materials for the production by related party and third-party manufacturers in countries in Europe, Thailand, Brazil, China, the U.S., and Mexico of finished products ultimately distributed in Australia.

Whereas Coty Australia has no direct control, influence or oversight over the terms and conditions of work of the employees performing the duties for the third-party suppliers and service providers engaged in our operations and supply chain, Coty Australia does acknowledge that there could be some risks of exploitative labour practices. As a result, modern slavery risks identified as follows:

- Reliance on third-party providers of marketing, cleaning and maintenance services in Australia
- Reliance on third-party logistics contracts for local distribution centers
- Reliance on third-party outsourced service providers based in Philippines and Malaysia to support certain finance functions

In addition, Coty Australia recognizes that the Covid-19 pandemic in FY2020 is likely to result in increased vulnerability of workers to modern slavery and other forms of exploitations within the operations and supply chain of third-party suppliers, service providers as well as manufacturers due to (including but not limited to) the loss of income, excessive overtime to cover capacity gaps, increased demand due to supply chain shortages.

ADDRESSING RISKS

Direct operations

Coty Australia fully complies with the Fair Work Act 2019 and all relevant workplace health and safety and equal employment opportunity laws and regulations to mitigate the risk of modern slavery in its directly employed workforce. In addition Coty Australia has a number of employment policies in place on workplace matters including Personal Grievance Handling, and Anti-discrimination, Bullying, Harassment & EEO policies. These policies are accessed via Coty's internal web platform. An Employee handbook and the Coty Code of Conduct are issued to all new employees as part of the employment induction process outlining employment policies and practices and setting out expectations on the ethical behaviour. New employees must sign an acknowledgment that they have read and understood the Coty Code of Conduct. A copy of the signed Acknowledgment is retained on each employee's personal file. The Coty Code of Conduct is also readily available to download via internal web platform. As of 30 June 2020, 100% of Coty Australia's employees have completed the Code of Conduct training.

In addition, in the past year, 10,743 of Coty's employees and/or associates completed the Code of Conduct supporting e-learning via internal web platform (Coty Academy) with a completion rate of 73%. These are available in multiple languages according to the needs of the workforce. By 2025, Coty's goal is to ensure that 95% of associates complete compliance training on a yearly basis.

Third-party suppliers of raw materials for the production by related party and third-party manufacturers

Coty's Global Procurement, being responsible for selecting suppliers of raw materials and any third-party manufacturers of the finished goods, in 2017 undertook a risk-mapping exercise, considering the material or service being purchased, the geographical region it is provided from, and the level of spend. On the basis of this exercise, Coty has identified approximately 800 direct spend supplier sites in scope at the higher risk level.

Coty has prioritised the engagement with those suppliers who are considered at the highest risk of non-compliance using the Suppliers' Ethical Data Exchange (Sedex) to comply via a third-party, ethical audit. These audits are either announced or semi announced (undertaken within a two to three-week timeframe) and performed on-site by independent auditors. They cover the areas of labour and human rights (including modern slavery), health and safety, environmental standards and business integrity. 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).

Coty have continued to increase the use of the Sedex audit platform with a focus on direct suppliers at a higher risk of non-compliance to Code of Conduct for Business Partners. Whereas Coty uses the EcoVadis 360° ESG assessments for suppliers within indirect spend Categories, including service and labour providers.

EcoVadis is used to assess the environmental and social performance of the suppliers, based on supplier documentation related to the four key areas:

- Environment
- Labor and Human Rights
- Ethics
- Sustainable Procurement

EcoVadis analysts assess Coty suppliers' documentation related to these areas as well as analyze their performance through a thorough 360° process. Both Coty and the supplier receive a report based on 100,000 data points and references including from governments, charities, trade associations and stakeholders. 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.

In addition to Coty's supplier compliance process, the increased risks of human and labour rights abuses with certain raw materials is recognised.

Mica is a key raw material used in many of Coty's 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 labour in mining communities. Coty is committed to sourcing mica responsibly, and traceability is critical to building a sustainable supply chain.

In 2017, Coty became a founding member of the multi-stakeholder effort, the Responsible Mica Initiative (RMI). Coty is active in three of the RMI's workstreams: Traceability and Workplace Standards, Community Empowerment, and Communications. Coty participates in the annual RMI data collection campaign to gain further visibility. Currently, 95% of Coty's purchased mica comes from suppliers who themselves are members of the RMI. To date, 30,000 people have been positively impacted through RMI programs.

Local third-party suppliers and service providers

Coty's and Coty Australia's commitment to respecting human rights of the employees, associates, manufacturers and raw material suppliers also extends to our third-party suppliers and service providers. Coty Australia's terms and conditions for local suppliers include a clause where the suppliers acknowledge and comply with the Code of Conduct for Business Partners ("the Code"), a copy of which is readily available via online Coty Supplier web site. The Code is based on international human and labour rights standards, including slavery and human trafficking.

Coty Australia fosters accountability and therefore take any incidents of non-compliance seriously. These would be escalated to appropriate senior leadership and recorded accordingly to ensure we monitor and address as required.

Covid-19

In FY2020, the Covid-19 pandemic had a significant impact on the business operations and the communities in which Coty Australia operates. The health and safety of our associates and their families has been the number one priority for the business. From the early stages of the pandemic, Coty Australia encouraged its employees to work remotely wherever possible, in line with Australian government guidelines. Covid-19 pandemic has also impacted Coty's ability to carry out physical audits.

ASSESSMENT OF THE EFFECTIVENESS

Direct operations

The effectiveness of the process is being assessed on the ongoing basis by continuing to actively encourage employees to use the Ethics and Compliance Hotline to raise questions or concerns. The Hotline, run by an independent company, is accessible via phone or online 24 hours a day, 7 days a week and enables individuals to report.

Coty Australia along with Coty actively uphold non-retaliation policy so that individuals are free to report their concerns safely. Any reports directly to HR will also be thoroughly investigated and reported to the local leadership team and escalated further, if required.

Third-party suppliers of raw materials for the production by related party and third-party manufacturers

Coty continues to risk-assess suppliers, including some indirect supplier sites (suppliers of goods or services such as marketing and professional services) and medium risk suppliers. In total, approximately 350 sites have been engaged. In FY2020, Coty assessed 98 suppliers, covering 149 sites, through the Sedex self-assessment questionnaire or via an audit if necessary.

Coty has also undertaken the training for the key users over the past year to ensure the audit process and the use of the Sedex platform is embedded throughout the Procurement teams, including teams responsible for raw materials, packaging and third-party manufacturers.

During the year, Coty has also had 198 suppliers assessed in EcoVadis, with 83 assessed in FY2020 receiving an average score of 56.9 out of 100, more than 14 points above the average EcoVadis score. More than 80% of the suppliers get reassessed regularly and the average performance increase has been + 3 points, including +3.4 points on average in the Labour and Human Rights pillar. 64% of Coty's suppliers re-evaluated have shown an overall improvement in their performance score.

In addition as part of Coty's commitment to sourcing mica responsibly, Coty have traced 97% of mica to country level and approximately 53% of Indian mica sources are traceable to mine level, and currently in the process of analysing remaining volumes.

Local third-party suppliers and service providers

Coty Australia has partnered with the national industry association ACCORD representing manufacturers and suppliers of hygiene, personal care and specialty products to further understand the risks of modern slavery via Accord provided trainings, seminars and sector-specific conferences, as well as to assist with strengthening approach to assessing human rights risks and advocacy within the industry.

With regards to the Australian third-party manufacturer and third-party rework supplier, both are members of Sedex Australia and are audited accordingly to comply with their membership requirements. Coty Australia is periodically provided with a copy of latest Sedex audits to ensure compliance.

Third-party logistics provider Linfox maintains robust Modern Slavery Policy, which is reviewed and approved annually, with a copy shared with Coty Australia accordingly.

STAKEHOLDER ENGAGEMENT AND CONSULTATION

The modern slavery statement is made by the Company in consultation with its reporting subsidiary, where both operate and are managed as an integrated group with comprehensive policies, systems and processes that are consistently applied. The process of consultation involved engagement key departments that collaborate to deliver modern slavery risk identification, assessment and management processes for the direct operations and supply chain.

In addition, Coty Australia has consulted with Coty in creating this statement.

The relevant directors of Coty Australia were also consulted and provided with an opportunity to review the statement and provide their input accordingly prior to its approval.

The statement has been approved by the board of directors of Coty Australia Holdings Pty Ltd on 31 March 2021.



Mette Engel Christensen

Managing Director

