

F0. Introduction

F0.1

**(F0.1) Give a general description of and introduction to your organization.**

The Estée Lauder Companies Inc. is one of the world's leading manufacturers and marketers of quality skin care, makeup, fragrance and hair care products. The company's products are sold in approximately 150 countries and territories under brand names including: Estée Lauder, Aramis, Clinique, Lab Series, Origins, Tommy Hilfiger, M·A·C, La Mer, Bobbi Brown, Donna Karan New York, DKNY, Aveda, Jo Malone London, Bumble and bumble, Michael Kors, Darphin Paris, TOM FORD BEAUTY, Smashbox, Ermenegildo Zegna, AERIN, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, KILIAN PARIS, Too Faced and Dr. Jart+, and the DECIEM family of brands, including The Ordinary and NIOD. The Estée Lauder Companies Inc. and its subsidiaries are referred to as "The Estée Lauder Companies", "ELC", "we", "us" or "our" in this report.

At The Estée Lauder Companies our vision is to be the global leader in Prestige beauty: a well-diversified, brand-building powerhouse of unrivalled creativity and innovation. We are inspired by the beauty around us, and our decisions and actions are driven by the Lauder family values. These values include a commitment to quality and excellence, embedding creativity and innovation across our business and acting responsibly and caring for the communities we serve.

This report covers ELC's Fiscal Year 2020 (FY20) – July 1, 2019 through June 30, 2020. Palm oil data is for calendar year 2020 (CY20) – January 1, 2020 through December 31, 2020.

F0.2

**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	July 1 2019	June 30 2020

F0.3

**(F0.3) Select the currency used for all financial information disclosed throughout your response.**

USD

F0.4

**(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.**

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Manufacturing	<Not Applicable>
Palm oil	Disclosing	Manufacturing	<Not Applicable>
Cattle products	Not disclosing	Manufacturing	A very limited number of our brands use genuine leather on their packaging. Leather made up less than 0.01% of our packaging volumes in FY20.
Soy	Not disclosing	Manufacturing	We use some soy products in our manufacturing processes.
Other - Rubber	Not disclosing	Manufacturing	We use rubber in a very small proportion of our packaging.
Other - Cocoa	Not disclosing	Manufacturing	We use cocoa products in our manufacturing processes.
Other - Coffee	Not disclosing	Manufacturing	We use coffee products in our manufacturing processes.

F0.5

**(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

Yes

F0.5a

**(F0.5a) Identify the parts of your direct operations or supply chain that are not included in your disclosure.**

Value chain stage	Exclusion	Description of exclusion	Potential for forests-related risk	Please explain
Supply chain	Other, please specify ((Products manufactured by Third-Party Manufacturers that contain palm-based ingredients not directly procured by ELC.))	Products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies.	Potential for forests-related risk, evaluated, but not disclosing to CDP	Our disclosure excludes products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies. The industry standard and Roundtable on Sustainable Palm Oil (RSPO) guidance is for companies to focus on directly purchased materials, which represents the majority of our palm volumes. While we have direct control over our own purchase of palm, we are also able to influence our larger network of suppliers and partners. In early CY20, we informed our TPMs that they should use palm ingredients that are from an RSPO physically certified sustainable source (Mass Balanced, Segregated or Identity Preserved) to further advance our commitment to ensuring sustainable palm oil supply chains. We will be working with our third-party manufacturers to support the increase of RSPO certified palm ingredients in the products made on our behalf.

**F1. Current state**

**F1.1**

**(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?**

**Timber products**

**Activity**

Buying manufactured products

**Form of commodity**

Secondary packaging

Tertiary packaging

**Source**

Contracted suppliers (manufacturers)

**Country/Area of origin**

- Austria
- Belarus
- Belgium
- Canada
- China
- Czechia
- Denmark
- Estonia
- Finland
- France
- Latvia
- Lithuania
- Netherlands
- Norway
- Poland
- Portugal
- Russian Federation
- Spain
- Sweden
- United Kingdom of Great Britain and Northern Ireland
- United States of America
- Uruguay

**% of procurement spend**

1-5%

**Comment**

Timber purchased for secondary and tertiary packaging makes up 1-5% of ELC's direct procurement spend.

**Palm oil****Activity**

Using as input into product manufacturing

**Form of commodity**

Palm oil derivatives  
Palm kernel oil derivatives

**Source**

Contracted suppliers (manufacturers)

**Country/Area of origin**

Brazil  
Cambodia  
Colombia  
Costa Rica  
Guatemala  
Honduras  
India  
Indonesia  
Malaysia  
Mexico  
Papua New Guinea  
Philippines  
Solomon Islands  
Thailand

**% of procurement spend**

1-5%

**Comment**

Palm oil and Palm kernel oil derivatives make up between 1-5% of ELC's direct procurement spend.

**F1.2**

**(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.**

	% of revenue dependent on commodity	Comment
Timber products	91-99%	Impact on Revenue is determined by starting with the material codes for secondary and tertiary packaging and reviewing all of the finished goods that would be impacted if those materials were not available.
Palm oil	81-90%	The scope includes all raw materials that have any percentage of palm in the compositional breakdown. Impact on Revenue is determined by starting with these material codes that contain palm and reviewing all of the finished goods that would be impacted if those materials were not available. All finished good duplication is removed to ensure that impact on revenue is not overstated. This does not take into account our ability to substitute for another ingredient or the volume of palm oil or palm oil derivative used in each product.
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F1.5**

**(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	Data availability/Disclosure
Timber products	Consumption data available, disclosing
Palm oil	Consumption data available, disclosing
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F1.5a**

**(F1.5a) Disclose your production and/or consumption data.**

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

23894

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

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**Forest risk commodity**

Palm oil

**Data type**

Consumption data

**Volume**

3615

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

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**F1.5b**

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**(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.**

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Indonesia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Jambi, Central Kalimantan, Riau, W Kalimantan, Lampung, S Kalimantan, E Kalimantan, W Sulawesi, W, S & N Sumatra, Aceh, Bengkulu, Bangka Belitung, Banten, N Kalimantan, Central Sulawesi, SE Sulawesi, W Java, W Sulawesi, W Papua, Gorontalo, Papua)

**% of total production/consumption volume**

44.5

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Malaysia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Johor, Kedah, Kelantan, Melaka, Negari Sembilan, Pahang, Penang, Perak, Perlis, Pulau Pinang, Selangor, Terengganu, Sabah, Sarawak)

**% of total production/consumption volume**

32.5

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

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Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Pará)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Colombia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Antioquia, Bolivar, Casanare, Cesar, Magdalena, Narino, Santander, Valle del Cauca, North Santander, Meta, Vichada)

**% of total production/consumption volume**

0.3

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Thailand

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Surat Thani, Chumphon, Samat Songkhram, Samut Sakhon, Prachuap Khiri Khan, Chonburi, Krabi)

**% of total production/consumption volume**

0.6

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Philippines

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (South Agusan)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

India

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Andhra Pradesh)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Cambodia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Preah Sihanouk)

**% of total production/consumption volume**

0.09

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Mexico

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Chiapas, Veracruz)

**% of total production/consumption volume**

0.44

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Papua New Guinea

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (West New Britain, Morobe, Oro, Milne Bay)

**% of total production/consumption volume**

0.23

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Guatemala

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Quezaltenango, Izabal)

**% of total production/consumption volume**

0.17

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Honduras

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Colon, Atlantida)

**% of total production/consumption volume**

0.03

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an

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annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

0.11

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Unknown origin

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

21

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY20 we achieved 79% traceable to the mill.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

74

**Please explain**

74% of timber consumption volumes (sum of total secondary and tertiary volumes traceable /Sum of total Secondary & Tertiary volumes) are from the following countries: United States, Canada, France, China, Sweden, Austria, Finland, Spain, Portugal, Uruguay, Estonia, Latvia, Lithuania, Belarus, Poland, Wales, Russia, Norway, Scotland, Denmark, Belgium, The Netherlands, Czech Republic. In FY20 we worked with Preferred by Nature (formerly NEPCo) an expert non-profit working on sustainable land use and responsible trade of forest commodity. Preferred by Nature provided ELC staff with Timber Legality training and created an action plan to develop a robust Due Diligence System (DDS) for sourcing timber-based products. As a result, ELC is currently implementing a DDS procedure which includes collecting traceability information on the origin of timber-based products, among other information. For example, ELC signed a commercial agreement with a second tier sustainability leader and Forest Stewardship Council (FSC) certified manufacturer (Paper Mill), enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents almost 80% of total folding cartons supply.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Unknown origin

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

26

**Please explain**

ELC is currently implementing a Due Diligence System (DDS) procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. Furthermore, we continue to increase the percentages of FSC certified materials to support our FSC certification goal, thus mitigating potential deforestation risks associated with these materials. We achieved 63% of our FSC goal for timber-based cartons in FY20.

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F1.5e

**(F1.5e) How does your organization produce or consume biofuel derived from palm oil?**

**Does your organization produce or consume biofuel derived from palm oil?**

No

**Data type**

<Not Applicable>

**Volume produced/consumed**

<Not Applicable>

**Metric**

<Not Applicable>

**Country/Area of origin**

<Not Applicable>

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

<Not Applicable>

**Does the source of your organization's biofuel material come from smallholders?**

<Not Applicable>

**Comment**

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**F1.6**

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**(F1.6) Has your organization experienced any detrimental forests-related impacts?**

No

**F2. Procedures**

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**F2.1**

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**(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

**F2.1a**

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**(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.**



## Timber products

### Value chain stage

Supply chain

### Coverage

Full

### Risk assessment procedure

Assessed in an environmental risk assessment

### Frequency of assessment

Annually

### How far into the future are risks considered?

> 6 years

### Tools and methods used

Internal company methods

External consultants

NEPCon Sourcing Hub

### Please explain

Internal risk assessment methodology: In FY20 we worked with NEPCon, a non-profit working on sustainable land use and responsible trade of forest commodities (external consultants). NEPCon provided staff with Timber Legality training and created an action plan to develop a robust Due Diligence System (DDS) for sourcing timber-based products. As a result, ELC is currently implementing a DDS procedure which includes a risk assessment based on supplier and sub-supplier information on the origin and supply chains of timber-based products. By using NEPCon Sourcing hub, we can access countries' timber risk assessments and effectively understand forest-risks depending on country of origin. For example, if we identify that some volumes originate from higher risk countries, we are able to change our due diligence procedure to mitigate the identified risk. EcoVadis: We investigate supplier sustainability risks through EcoVadis assessments (used as part of internal company methods). EcoVadis ratings assess environmental impacts among others. We focus our risk assessment on Strategic and Joint Value Creation (JVC) suppliers. These are highly critical suppliers with broad and unique capabilities, proven value creation in one or multiple pillars and highest level of collaborative partnership. We prioritize these suppliers because they comprise almost half of our Direct Spend. We are strategically partnering with these suppliers, as we're making investments to grow with them, and we anticipate that their actions will significantly affect our supply chain's environmental impact. We chose EcoVadis as it gives an evidence-based understanding of CSR performance and thus risk level. We believe this to be effective in assessing forest risks because the assessment considers multiple forests issues such as forest commodity certification (e.g FSC), biodiversity and ecosystem, climate change issues, and water consumption and management, giving us a holistic understanding of a supplier's performance and how the supplier is managing deforestation risk. In FY20 98% of strategic suppliers were assessed and more than half improved their EcoVadis scorecard from their previous assessment.

## Palm oil

### Value chain stage

Supply chain

### Coverage

Full

### Risk assessment procedure

Assessed in an environmental risk assessment

### Frequency of assessment

Annually

### How far into the future are risks considered?

> 6 years

### Tools and methods used

Internal company methods

External consultants

Global Forest Watch Pro

Sustainability Policy Transparency Toolkit (SPOTT)

National specific tools and databases

### Please explain

Traceability: Through ASD we annually undergo a traceability exercise to map our supply chain and perform a risk assessment at the province and mill level using GFW Pro and the SPOTT tool. This partnership allows us to assess deforestation risk based on both geographical and supply chain player levels and allows us to identify priority players and priority landscapes to focus management efforts. Thus, we deem this to be an effective method to identify risk. Ingredient: We continue to use the raw ingredient materiality assessment conducted by BSR (external consultants), which identified the risk level on several focus areas, including Biodiversity & Deforestation, from none to severe. We chose this method because it is effective at identifying forest-related risks at the ingredients-level. These results help to identify priority areas and suppliers for engagement and improvement and to develop robust biodiversity and social action plans. Supplier: We investigate supplier sustainability risks through EcoVadis. We chose EcoVadis as it gives an evidence-based understanding of CSR performance and thus risk level. We believe this to be effective in assessing forest risks because the assessment considers multiple forests issues, giving us a holistic understanding of a supplier's performance and how the supplier is managing deforestation risk. In FY20 98% of strategic suppliers were assessed and more than half improved their EcoVadis scorecard from their previous assessment. Climate: ELC engaged with external consultants to complete a risk assessment for palm oil to better understand the climate risks in the next ten years. The assessment has been effective at identifying key forest-related risks in relation to palm oil as it covers the key aspects of the palm oil value chain including risks to plantations and smallholders, mills, transportation, and refineries. National databases (FAOSTAT, GFW, Indonesia Ministry of Forestry) were used to assess palm oil locations and identify potential physical risks that could impact yield and supply of palm-based derivatives in Indonesia. ELC is using the outputs of this study to inform future sourcing strategy.

## F2.1b

(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?

## Availability of forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

ELC needs long-term access to forests-related commodities as they are of critical importance to the value of its products both from formula and packaging performance perspectives which is why it is considered relevant and included in ELC's risk assessments. We evaluate the availability of forest-risk commodities in our Enterprise Risk Management (ERM) process (internal company methods), which assesses sustainability risks to the company on an annual basis. Specifically, in the ERM process, we analyze the risks associated with the availability of forest-risk commodities taking into account the potential impact and likelihood of this risk. Once the risks have been evaluated, we identify the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk. The information about timber availability is used for internal decision-making such as in the supplier selection process of alternate sources. In addition, the information about palm availability is used in our on-the-ground projects to target smallholders and help them to build their capacity and improve their livelihoods with the goal of increasing their participation in the palm oil supply chain, supporting a sustainable palm supply chain and thus securing availability.

## Quality of forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

ELC is committed to providing our customers with safe, prestige beauty products of the highest quality. We greatly value the trust our consumers place in our extraordinary products for their efficacy and safety as well as in the high quality of the packaging in which they are sold. Consequently, we take great care to source high quality ingredients for our products and strive to continuously improve the visibility we have over the quality of our sourced ingredients and packaging in terms of traceability and sustainable production. This issue is covered in the raw ingredient materiality assessment performed by Business for Social Responsibility (BSR) (external consultants). Our objective was to develop a list of priority ingredients considered high risk from a sustainability perspective. BSR conducted a materiality assessment based on sustainability & business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas was ingredient quality, specifically considering the degree to which the category of ingredients is exposed to potential quality standards risks. The information about this issue is used for internal decision-making such as our procurement strategy, as quality of ingredients is one of the factors used to determine our strategic suppliers and how they fit into our wider sourcing portfolio.

## Impact of activity on the status of ecosystems and habitats

### Relevance & inclusion

Relevant, always included

### Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level, we assess sustainability risks using assessments completed through the EcoVadis platform (used as part of internal company methods). EcoVadis ratings assess environmental impacts, including biodiversity (ecosystems and habitats). This information is used internally to determine suppliers' sustainability performance and which suppliers we partner with to improve CSR performance through improvement plans. This issue is also covered in the raw ingredient materiality assessment performed by Business for Social Responsibility (BSR) (external company methods) in FY19, which we continue to leverage today. BSR conducted a materiality assessment based on sustainability & business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas was Biodiversity & Deforestation, specifically targeting the degree to which ingredients may contribute to deforestation and damage ecosystems of high conservation value caused by land-use change from raw material extraction, processes, and distribution. The information about this issue is used for internal decision-making such as in our responsible sourcing strategy; we have currently identified certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits. Through ASD we annually undergo a traceability exercise to map our supply chain and perform a risk assessment at the province and mill level using GFW Pro and the SPOTT tool. This partnership allows us to assess deforestation risk based on both geographical and supply chain player levels and allows us to identify priority players and priority landscapes to focus management efforts. The results are used internally as part of our due diligence procedure to confirm that the sourcing practices of our palm ingredients suppliers align to our principles and to inform our positive impact strategy for improvement projects in high risk jurisdictions.

## Regulation

### Relevance & inclusion

Relevant, always included

### Please explain

As a global company, ELC is subject to the laws which apply to all similarly situated companies and strives to adopt an exemplary attitude. Regulatory risks are systematically identified and assessed on an ongoing basis by internal and external counsel and our employees to ensure that ELC remains in compliance of ongoing changes to all regulations and these mitigation efforts are captured as part of our Enterprise Risk Management (ERM) process taking into account the potential impact and likelihood of the risk (internal company methods). The information about this issue is used for internal decision-making such as in the ERM process, including the identification of the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk. As a basic requirement of doing business together, our suppliers are also required to comply with applicable laws and regulations in the countries where they do business. This is outlined in our supplier code of conduct. The Code serves as the basis for evaluation of suppliers with regard to ethical business practices and is the foundation of our Responsible Sourcing program. The results of these evaluations or assessments are used in internal decision-making including our supplier engagement/ selection process. If we determine the ELC Supplier is not in compliance, then the remedies may include, among other things, termination of business with ELC or the development and implementation of a corrective action plan that would need to be implemented within a certain fixed time period. ELC may follow such implementation by a follow up audit, as it deems appropriate.

## Climate change

### Relevance & inclusion

Relevant, always included

### Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level, we assess sustainability risks using assessments completed through the EcoVadis platform (used as part of internal company methods). EcoVadis ratings assess environmental impacts among others, including climate change. Climate related areas are covered such as Energy Consumption & GHGs, Water, and Pollution. For example, suppliers are assessed on the actions they have in place regarding the reduction of energy consumption and the emissions of GHG. This information is used internally to determine which suppliers we partner with to improve CSR performance through improvement plans. This issue is also covered in the ingredient risk assessment performed by Business for Social Responsibility (BSR) (external company methods). Our objective was to develop a list of priority ingredients considered high risk from a sustainability perspective. The assessment identified the risk level on several focus areas, from none to severe. One of the focus areas was Climate Change Mitigation and Adaptation, specifically targeting the degree to which the category of ingredients may contribute to climate or be exposed to climate change risks, from raw material raw extraction, processes and distribution. The information about this issue is used for internal decision-making such as in our responsible sourcing strategy; we have identified certain ingredients for which we are creating robust biodiversity and social action plans. ELC also engaged with a third-party consultancy (external consultants) to complete a climate change risk assessment for palm oil to better understand the risks driven by climate change in the next ten years. The assessment has been effective at identifying key forest-related risks in relation to palm oil as it covers the key aspects of the palm oil value chain including risks to plantations and smallholders, mills, transportation, and refineries. National databases (FAOSTAT GFW, Indonesia Ministry of Forestry) were used to assess palm oil locations and their associated risks in Indonesia. Through this assessment, key physical risks were identified with the potential to impact the yields and supply of palm-based derivatives in the future. ELC is using the outputs of this study to inform future sourcing strategy.

## Impact on water security

### Relevance & inclusion

Relevant, always included

### Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level, we assess Sustainability risks using assessments completed through the EcoVadis platform (used as part of internal company methods). EcoVadis ratings assess environmental impacts among others, including water security and pollution. This information is used internally to determine suppliers' sustainability performance and which suppliers we partner with to improve CSR performance through improvement plans. This issue was also covered in the ingredient risk assessment performed by Business for Social Responsibility (BSR) (external company methods). Our objective was to develop a list of priority ingredients considered high risk from a sustainability perspective. BSR conducted a materiality assessment based on sustainability and business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas was resource management, specifically targeting the degree to which ingredients were considered resource intensive on the consumption of water from raw material extraction, processes and distribution. The information about this issue is used for internal decision-making such as in our responsible sourcing strategy; we have currently identified certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits.

## Tariffs or price increases

### Relevance & inclusion

Relevant, always included

### Please explain

Our forests-related risk assessment evaluates the risks associated with tariffs or price increases. Tariffs or price increases are considered in our annual Enterprise Risk Management process, where we evaluate sustainability-related risks to our company, considering the potential impact and likelihood of the risk (internal company methods). The information about this issue is used for internal decision-making such as in the ERM process, including the identification of the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk. In addition, the risk of price increases and price premiums for certified materials is considered in our procurement strategy. For example, in FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to enable the supplier to meet our RSPO requirements.

## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

Working within a competitive business market, we recognize the importance of shifting evolution in customer preferences and expectations regarding sustainable consumption choices. Failure to recognize the importance of consumers' changing behavior may lead to reduced demand and consequent loss of revenue. Consequently, control of risks associated with the procurement of forest-related commodities is recognized as a key sustainability challenge for ELC and is factored into our forests-related risk assessments. We consider the risk of loss of markets associated with ingredient commodities linked to deforestation by integrating the risk into our Enterprise Risk Management Process (internal company methods). The ERM process assesses risk depending on the potential impact and likelihood of the identified risk and includes identification of the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk. The information about this issue is used for internal decision making such as in our responsible sourcing strategy; we have identified certain ingredients which are considered high risk from a sustainability perspective for which we are creating robust biodiversity and social action plans. To respond to this risk, ELC have set goals to have 100% of our forest-based fiber cartons FSC certified by the end of 2025 and to have at least 90% of our palm-based ingredients certified as sustainable from RSPO physical supply chains by the end of 2025.

## Leakage markets

### Relevance & inclusion

Relevant, sometimes included

### Please explain

As buyers of commodities, such as palm oil and timber, we believe that leakage markets could be relevant to us from a reputational standpoint. ELC's ERM process (internal company methods) considers emerging sustainability issues that could impact our reputation, as well as our ability to procure sustainable raw materials, on an annual basis. The ERM process assesses risk depending on the potential impact and likelihood of the identified risk and includes identification of the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk. Information about reputational risks such as leakage markets is taken into consideration when setting corporate strategy and goals, such as our FSC and RSPO goals. The information about this issue is also used for internal decision making such as in our responsible sourcing strategy; we have identified certain ingredients which are considered high risk from a sustainability perspective for which we are creating robust biodiversity and social action plans. Through ASD we annually undergo a traceability exercise to map our supply chain and perform a risk assessment at the province and mill level using GFW Pro and the SPOTT tool. This partnership allows us to assess deforestation risk based on both geographical and supply chain player levels and allows us to identify priority players and priority landscapes to focus management efforts. The results are used internally as part of our due diligence procedure to confirm that the sourcing practices of our palm ingredients suppliers align to our principles and to inform our responsible sourcing strategy. Further, our supplier engagement strategy considers the issue of leakage markets; we retain and engage suppliers to progress our RSPO and FSC goals to reduce our risk of 'leakage' from these suppliers into the market. For example, in FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials.

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

Brand reputation is important to our company and is always considered in our forests-related risk assessment. We evaluate the risk to brand reputation associated with forest risk commodities on an annual basis as part of our Enterprise Risk Management process (internal company methods), which assesses the potential impact and likelihood of the identified risk. Once the risks have been evaluated, we identify the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk. The information about brand damage is used for internal decision making such as in our responsible sourcing strategy; to respond to this risk, ELC have set goals to have 100% of our forest-based fibre cartons FSC certified by the end of 2025 and to have at least 90% of our palm-based ingredients certified as sustainable from RSPO physical supply chains by the end of 2025.

## Corruption

### Relevance & inclusion

Relevant, always included

### Please explain

At ELC we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level we look into sustainability risks through the EcoVadis assessments (used as part of internal company methods). EcoVadis ratings assess suppliers' Ethical practices, including corruption, among other areas. We partner with suppliers to improve CSR performance, through improvement plans. This issue is also covered in the ingredient risk assessment performed by Business for Social Responsibility (BSR) (external consultants). Our objective was to develop a list of priority ingredients considered high risk from a sustainability perspective. BSR conducted a materiality assessment based on sustainability and business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas was Respect for Human and Labor rights, specifically targeting the degree to which the category of ingredients exposes ELC to human rights risks during raw material extraction, processing and/or distribution in the ELC value chain. The materiality assessment used tools such as the SASB Materiality Index which covers Business Ethics, Competitive Behavior, Management of the Legal and Regulatory Environment, Critical Incident Risk Management, Systemic Risk Management among other criteria. The information about corruption is used for internal decision-making such as in our responsible sourcing strategy; we have currently identified certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level we look into the sustainability risks through the EcoVadis assessments (used as part of internal company methods). EcoVadis ratings assess suppliers' Labor & Human Rights practices, including Social Dialogue, Child Labor, Forced Labor, Human Trafficking, Diversity, among other areas. We partner with suppliers to improve CSR performance through improvement plans. This issue is also covered in the ingredient risk assessment performed by Business for Social Responsibility (BSR). Our objective was to develop a list of priority ingredients considered high risk from a sustainability perspective. BSR conducted a materiality assessment based on sustainability and business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas is Respect for Human and Labor rights, specifically targeting the degree to which the category of ingredients exposes ELC to human rights risks during raw material extraction, processing and/or distribution in the ELC value chain. The materiality assessment used tools such as the SASB Materiality Index which covers Social and Human Capital, including Human Rights & Community Relations, Consumer Privacy, Customer Welfare, Human Capital, Labor Practices and others. The information about social impacts is used for internal decision-making such as in our responsible sourcing strategy; we have currently identified certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits.

## Other, please specify

### Relevance & inclusion

### Please explain

## F2.1c

**(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?**

## Customers

### Relevance & inclusion

Relevant, always included

### Please explain

Working within a competitive business market, we recognize the importance of the shifting evolution in customer preferences and expectations regarding sustainable consumption choices. Failure to recognize the importance of consumers' changing behavior may lead to reduced demand and consequent loss of revenue. Consumers are essential stakeholders for our company and are therefore always included in our forests-related risk assessments. We use our Enterprise Risk Management process to evaluate the impact of forests-related risks on our consumers, such as consumers' concerns about products linked to deforestation. These concerns are evaluated through scenario analysis on an annual basis through our Enterprise Risk Management process. In terms of engagement, we identify consumers' concerns through social listening and consumer insights research. We further engage with consumers through consumer-facing statements and claims, which highlight our forests related commitments. For instance, in FY20, we published a public No Deforestation, No Peat, No Exploitation (NDPE) policy.

## Employees

### Relevance & inclusion

Relevant, always included

### Please explain

The success of our company, including meeting our responsible sourcing goals, is dependent upon our employees. For example, employees within the Responsible Sourcing Team are essential for ensuring that our suppliers comply with our Supplier Code of Conduct and our NDPE policy. Because of this, employees are always considered in our forests-related risk assessments. We consider employees in our Enterprise Risk Management process. ELC recognizes that our employees are the key to executing our sustainability strategy and we have committed to providing access to basic sustainability and social impact training across all levels of our organization by the end of 2020. We engage employees in addressing our forests-related risks as part of this commitment. For instance, in FY20, we convened relevant employee stakeholders from our procurement, supply chain, sustainability, packaging and legal teams to develop our NDPE policy. We also engaged Rainforest Alliance to educate our key internal stakeholders on addressing responsibly sourced forest-based commodities. We complement these targeted engagements with broad communications to our employees about our commitment to no deforestation and responsible sourcing of forest-based commodities. Additionally, In FY20 we worked with Preferred by Nature (formerly NEPCon), an expert non-profit working on sustainable land use and responsible trade of forest commodities. Preferred by Nature provided ELC staff with Timber Legality training covering among other topics, European Union Timber Regulation (EUTR) and others timber regulations and an overview of the elements and requirements that comprise a robust Due Diligence System.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

We seek to build productive relationships with our key stakeholders, including employees, consumers, investors, retailers, nongovernmental organizations (NGOs), suppliers, regulators and local communities. These relationships depend on active engagement and meaningful dialogue to strengthen bonds and expand trust. As we shape the future of beauty, we incorporate stakeholder perspectives we believe will help drive our future success. We evaluate forests-related risks through our annual Enterprise Risk Management process. We have a comprehensive, strategic investor relations program to help communicate with the investment community about our company's performance and corporate values, as well as to educate current and prospective investors and the sell-side analyst community about our business strategies and performance. From time to time, we also discuss C&S commitments and initiatives with our investors. We engage with Investors on Forests-related risks by responding to investor-facing disclosures, such as CDP Forests and the S&P Global Corporate Sustainability Assessment (DJSI Questionnaire), which are completed annually. We also engage with our investors on forests-related risks through periodic investor calls and investor inquiries.

## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and who demonstrate the same commitment to operating responsibly and ethically across all facets of business. We believe that our Company's long-term success is closely tied to the vitality of the communities where we have a presence. Given this, local communities are always included in our forests-related risk assessment through our supplier assessments. We assess suppliers' CSR performance through Code of Conduct-aligned audits conducted by a leading third-party monitoring organization or through EcoVadis assessments. EcoVadis is an internationally recognized, collaborative CSR platform that helps us measure and drive suppliers' CSR improvements in the areas of labor & human rights, environmental management and ethical business practices. We partner with suppliers to improve CSR performance, through improvement plans. Through the work we do with our suppliers we also consider the impacts on the local communities we source from. In November 2018 we joined and kicked off The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the Roundtable on Sustainable Palm Oil (RSPO), Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers (i.e. farmers who own or cultivate farms that are less than 2.0 hectares of land) in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2022. Key components of Project Lampung include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers in the local communities. The Project also seeks to improve communication and support the development of market linkages between farms and mills, as well as provide long-term technical support after formal training has ended. With more sustainable practices in place, harvest yields should improve, and local farmers should have greater ability to sell collectively.

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

NGOs are important stakeholders for our company, as they can influence policy and consumer behaviors. Because of this, they are always considered in our forests-related risk assessments. We evaluate forests-related risks through our annual Enterprise Risk Management process. We regularly engage with NGOs on forests-related issues. For instance, we are members of responsible sourcing organizations such as the Roundtable on Sustainable Palm Oil (RSPO), a non-profit that unites key stakeholders in the palm oil industry to develop and implement global standards for sustainable palm oil, and AIM-Progress, a forum of consumer goods manufacturers and suppliers working to promote responsible sourcing practices. We also engaged with the non-governmental organization, Rainforest Alliance, in 2019 to support the development of our No Deforestation, No Peat, No Exploitation policy in accordance with the Accountability Framework.

### Other forest risk commodity users/producers at a local level

#### Relevance & inclusion

Relevant, always included

#### Please explain

We believe that other forest risk commodity producers such as local smallholder producers/growers are important stakeholders for our business because according to RSPO, more than 40% of global palm oil is produced from over 3 million smallholders and are therefore always considered in our forests-related risk assessment. We engage and support smallholder farmers in several ways. In 2019, the company launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. In 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). In addition to our expanded portfolio of palm-related positive impact projects, we procure Independent Smallholder RSPO credits, supporting direct market access for smallholders.

### Regulators

#### Relevance & inclusion

Relevant, always included

#### Please explain

Complying with national and international laws and standards is important for our company for many reasons, including the reputational risk from non-compliance with regulations as well as direct financial penalties from non-compliance. Because of this, we always consider regulations in our forests-related risk assessments. We consider them in our Enterprise Risk Management assessment on an annual basis. In terms of engagement, ELC monitors regulatory risks on an ongoing basis through regular regulatory conference calls with internal and external stakeholders.

### Suppliers

#### Relevance & inclusion

Relevant, always included

#### Please explain

We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and who demonstrate the same commitment to operating responsibly and ethically across all facets of business. Our suppliers are always included in our risk assessment as they are essential to achieving our no deforestation commitments and ensuring a sustainable supply of timber and palm-derived commodities. We assess suppliers' CSR performance through COC-aligned audits conducted by a leading third-party monitoring organization or through EcoVadis assessments. EcoVadis is an internationally recognized, collaborative CSR platform that helps us measure and drive suppliers' CSR improvements in the areas of labor & human rights, environmental management and ethical business practices. We partner with suppliers to improve CSR performance, through improvement plans.

### Other stakeholders, please specify

#### Relevance & inclusion

#### Please explain

## F3. Risks and opportunities

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### F3.1

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**(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?**

	Risk identified?
Timber products	Yes
Palm oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.1a

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### F3.1a) How does your organization define substantive financial or strategic impact on your business?

ELC takes a formal approach to embedding risk management into existing practices and business processes through the Company's Enterprise Risk Management ("ERM") process. Critical Corporate Risks, including climate-related risks, are identified and addressed through a consistent and disciplined process which is appropriately integrated with ELC's strategic planning process. The ERM process includes a governance structure of risk sub-committees and a Corporate Enterprise Risk Management Committee ("ERMC"). The RSC members include individuals from different functions of the organization and help form a comprehensive view of the risks and mitigations. While the ERMC is comprised of senior members of our leadership team who are responsible for setting the strategy for ELC.

New and updates to Critical Corporate Risks (CCRs) and Risk Owners are identified by the risk sub-committees and approved by the Corporate Risk Management Committee. The Risk Owners are held accountable for the management and mitigation of the CCRs. They identify and establish mitigation strategies and tasks as well as owners for the mitigation strategies and tasks and assign individuals with the relevant expertise as owners to ensure the execution of for the mitigation strategies and tasks in a timely manner. The overall risk assessment considers risk drivers, risk scenarios, mitigation effort, mitigation effectiveness, velocity, impact and probability for each CCR. Each year, the ERM Team generates reporting to help management assess mitigation strategies and tasks and consider their effectiveness. The results are aggregated and presented to the ERMC, Audit Committee and Board of Directors for review and approval.

In addition, overall risk assessment considers mitigation effort, impact, likelihood and velocity for each Critical Corporate Risk. In line with our Enterprise Risk Management framework, ELC defines financial impact on a 5-point scale from Very Low to Very High. The ERM team is included in several internal groups to promote awareness and enable the ERM team to identify, address and escalate risks as applicable. Some examples include Strategy Development, Crisis Management, Global Sustainability initiatives, IT & Cybersecurity Steering Committee, as well as compliance committees for finance, legal/contract, and IT regulatory. Cross-functional subcommittees identify and evaluate potential risks to the company. When the subcommittee identifies risks that may be significant to the company, the committee alerts the appropriate stakeholders so that they can act.

In line with our Enterprise Risk Management framework, ELC defines financial impact on a 5-point scale ranging from Very Low to Very High. An inherent risk is considered substantive from a financial point of view when its impact exceeds 1% of annual net sales (ELC reported total net sales of \$14,294 million in FY20 as per 10K ). From a strategic standpoint, we consider a risk to be substantive when the reputation of ELC or one of our brands has the potential to be impacted in a meaningful way (e.g., loss of consumer confidence/trust, loss of sales via boycotts). These definitions are applied to risks concerning both direct operations and supply chain.

### F3.1b

#### (F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

##### Forest risk commodity

Timber products

##### Type of risk

Regulatory

##### Geographical scale

Country

##### Where in your value chain does the risk driver occur?

Supply chain

##### Primary risk driver

Changes to national legislation

##### Primary potential impact

Increased production costs

##### Company-specific description

ELC currently complies with timber regulations in the countries that we source timber from. This includes the EU Timber Regulation in Europe, the Lacey Act in the United States and Australian Timber Regulations. There is a risk that these regulations will increase in their coverage or that other regulations in our sourcing countries will be developed. This could lead to an increased procurement cost of secondary and tertiary packaging if suppliers face increased compliance costs from these regulations which could then be passed onto our business.

##### Timeframe

Current - up to 1 year

##### Magnitude of potential impact

Medium

##### Likelihood

About as likely as not

##### Are you able to provide a potential financial impact figure?

Yes, an estimated range

##### Potential financial impact (currency)

<Not Applicable>

##### Potential financial impact figure - minimum (currency)

2000000

##### Potential financial impact figure - maximum (currency)

11000000

##### Explanation of financial

Financial impact relates to increased costs for secondary and tertiary packaging that is compliant with new legislation. We would estimate that an increase in timber-related regulations could lead to an increase in market pricing of x% (not disclosed due to commercial sensitivity), which could increase our annual procurement costs by \$2,000,000 - \$11,000,000. This is not a financially substantive risk for our business, but strategically it is important for ELC because of its reputational impact and because products that contain timber make up 91-99% of our revenue.

**Primary response to risk**

Increased use of sustainably sourced materials

**Description of response**

In FY20 we worked with Preferred by Nature (formerly NEPCon), an expert non-profit working on responsible trade of forest commodities, to provide Timber Legality training to ELC staff and created an action plan to develop a Due Diligence System (DDS) for sourcing timber-based products. As a result, ELC now implements a DDS procedure which includes a risk assessment based on supplier and sub-supplier information on the origin and supply chains of timber-based products. We use Preferred by Nature Sourcing hub to assess countries timber risk assessments. The DDS also includes risk mitigation actions depending if specified risk is identified. ELC's strategy to respond to this risk includes our goal to have 100% of our forest-based fiber cartons FSC certified by 2025. FSC certification covers legality: Legal right to harvest, taxes and fees, and timber harvesting activities/regulations. The FSC system contains normative requirements to be followed by certification bodies, including the requirement that audits be conducted at least annually, and not later than 15 months after the previous audit, in the case of chain of custody certification. Through our NDPE policy and through our FSC certification goal, we are responding to changes in regulation as FSC certification has demanding standards that go above and beyond current regulation. This means that suppliers already meeting these standards are unlikely to incur further compliance costs.

**Cost of response**

57500

**Explanation of cost of response**

Cost of response is an estimate for implementing an automated platform to collect timber-based supplier information as part of ELC's Due Diligence System

**Forest risk commodity**

Palm oil

**Type of risk**

Physical

**Geographical scale**

Country

**Where in your value chain does the risk driver occur?**

Supply chain

**Primary risk driver**

Changes in precipitation patterns

**Primary potential impact**

Increased production costs

**Company-specific description**

Climate change is considered a leading factor on the increase in the number of powerful storms and other extreme natural events, which can severely impact the availability of palm oil. This has the potential to drive up the prices of palm. Although ELC is a comparatively low-volume user of palm oil, palm fruit oil, palm kernel oil (PKO) and PKO derivatives, products containing palm oil make up 81-90% of our revenue and we use palm oil-derived ingredients in the formulation of many of our hair care and skin care products. For instance, ELC's CY2020 palm oil traceability study found that a portion of our 2020 palm-based ingredients came from the Muar River Basin in Malaysia. We anticipate that climate change has the potential to impact global palm oil supply chains in a similar manner.

**Timeframe**

>6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

More likely than not

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact (currency)**

<Not Applicable>

**Potential financial impact figure - minimum (currency)**

2000000

**Potential financial impact figure - maximum (currency)**

4000000

**Explanation of financial**

Financial impact relates to increased production cost for palm oil and derivatives. Historically weather-related events such as typhoons, have negatively impacted the availability of these ingredients. We would estimate that a decrease in availability could lead to an increase in market pricing of x% (not disclosed due to commercial sensitivity), which could increase our procurement costs by \$2,000,000 - \$4,000,000. Because products that contain palm oil make up 81-90% of our revenue, we consider the disruption in the supply of this commodity to be a substantive strategic risk.

**Primary response to risk**

Increased use of sustainably sourced materials

**Description of response**

To reduce this risk, ELC has set a target to purchase 100% RSPO-certified palm-based derivatives by the end of 2025 to ensure that all purchased palm oil ingredients adhere to the RSPO criteria and ELC has more detailed information about the practices used at plantation level. The RSPO Principles & Criteria include climate change mitigation through principle 7, which aims to minimize the palm oil industry's climate change impact. Sustainable agriculture practices that RSPO members must follow can also increase the resilience of the palm value chain to manage potential climate change impacts. In 2020, we approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan, Indonesia led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). This initiative focuses on restoration of degraded lands, particularly peatland; fire free agriculture; and small



holder certification. Ecosystem restoration can provide services such as wildlife habitats and corridors, water regulation and provisioning, soil protection and carbon sequestration whilst the use of sustainable agricultural practices can improve resilience to manage potential climate changes impacts.

**Cost of response**

1400000

**Explanation of cost of response**

The cost of response includes the annual costs of our supplier engagement platform, annual costs of NGO memberships and projected annual costs for procurement of certified materials.

F3.2

**(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.2a

**(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.**

**Forest risk commodity**

Timber products

**Type of opportunity**

Products & services

**Where in your value chain does the opportunity occur?**

Other parts of the value chain

**Primary forests-related opportunity**

Increased brand value

**Company-specific description & strategy to realize opportunity**

Consumers and employees are increasingly drawn to purpose-driven brands and companies; 48 % of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021). Companies that are actively demonstrating their deforestation commitments and progress may have a competitive advantage over other companies. Specific markets where there is greater consumer concern about sustainability issues could be particularly impacted by this opportunity. For instance, a 2019 study commissioned by the European Commission Directorate-General for Trade finds an increased demand for sustainably sourced products in France, Germany, Italy, the Netherlands and Spain, all markets where ELC operates. In keeping with our deeply rooted values, ELC endeavors to source our ingredients and materials responsibly and sustainably with attention to their potential impacts on people and the planet. Our strategy to realize this opportunity is to focus on reducing potential environmental impacts of a package across its lifecycle. In FY20, we launched Sustainable Packaging Guidelines for our package developers, marketers and procurement teams. The guidelines contain an overview of our approach, definitions, material selection guides and FAQs. In addition, the guidelines provide direction for design that enhances packaging sustainability. Also, in FY19, we set a goal to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. Additionally, the certification covers legality and has a robust system of safeguards to ensure forest owners/ managers meet these requirements. This target along with other sustainable packaging and ESG targets will enable ELC to continue to advance its commitment to responsible corporate citizenship and demonstrate this clearly to our customers. These enterprise-wide goals will drive value for our brands as they align and innovate to meet these commitments.

**Estimated timeframe for realization**

4-6 years

**Magnitude of potential impact**

Low

**Likelihood**

About as likely as not

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

155000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

We believe sustainability and, in this case, sustainable timber-based products, is increasingly important to our consumers ultimately influencing purchasing behavior. Our

commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing sustainable timber-based products provides value to our purpose driven brands. We've calculated this \$155M opportunity to be projected revenue of FSC certified packaged products of selected brands, \* times the 48 percent of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Note: Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021).

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**Forest risk commodity**

Palm oil

**Type of opportunity**

Products & services

**Where in your value chain does the opportunity occur?**

Supply chain

**Primary forests-related opportunity**

Increased brand value

**Company-specific description & strategy to realize opportunity**

While we at The Estée Lauder Companies are a comparatively low volume user of palm oil, palm fruit oil and palm kernel oil (PKO) derivatives, we are sensitive to the issues and complexities surrounding the sustainable production and traceability of such ingredients. Consumers and employees are increasingly drawn to purpose-driven brands and companies; 48 % of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Note: Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021). Companies that are actively demonstrating their deforestation commitments and progress may have a competitive advantage over other companies. In keeping with our deeply rooted values, ELC endeavors to source our ingredients and materials responsibly and sustainably with attention to their potential impacts on people and the planet. Our strategy to realize this opportunity includes setting a target to purchase 100% RSPO-certified palm-based derivatives by the end of 2025 and at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. This strategy has been actioned through supplier engagement to increase our volumes of RSPO certified materials. For example, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to meet our RSPO requirements. The RSPO and other stakeholders are working to establish a palm oil supply chain that protects native forests. Many companies such as ours have made commitments to source their palm oil supply sustainably to prevent deforestation. These targets demonstrate our commitment to responsible sourcing of palm oil and clearly demonstrate this to our consumers.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-low

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

606000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

We believe sustainability and, in this case, sustainable palm oil is increasingly important to our consumers ultimately influencing purchasing behavior. Our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing sustainable palm-derived ingredients provides value to our purpose driven brands. We've calculated this \$606M opportunity to be projected revenue of palm containing products of selected brands, times the 48 percentage of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Note: Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021)

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**F4. Governance**

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**F4.1**

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**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

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**F4.1a**

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**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Board Chair	The sustainability strategic pillar is sponsored by our CEO and our Executive Chairman. The Sustainability Executive Committee is composed of senior leaders from Finance, Supply Chain, Human Resources and Corporate Citizenship and Sustainability, along with additional representation across brands, regions and other functions. This committee drives citizenship and sustainability strategy, including forests-related issues. Citizenship and sustainability work is led by the Senior Vice President (SVP) of Global Corporate Citizenship and Sustainability (GCCS), who reports to our President and Chief Executive Officer (CEO). Our Executive Chairman is also a member of the Board of Directors Nominating and Governance Committee, which oversees the company's citizenship and sustainability matters including forests-related issues, such as guiding strategy and managing investors' expectations.
Chief Executive Officer (CEO)	The sustainability strategic pillar is sponsored by our CEO and our Executive Chairman. The Sustainability Executive Committee is composed of senior leaders from Finance, Supply Chain, Human Resources and Corporate Citizenship and Sustainability, along with additional representation across brands, regions and other functions. This committee drives citizenship and sustainability, including forest-related issues. Citizenship and sustainability work is led by the Senior Vice President (SVP) of Global Corporate Citizenship and Sustainability (GCCS), who reports to our President and Chief Executive Officer (CEO). In 2019, our CEO signed off on our 2020-2025 ESG goals, which include our goals to have 100% of our forest-based fiber cartons FSC certified by 2025 and for at least 90% of our palm-based ingredients (palm oil and its derivatives) to be certified sustainable from RSPO physical supply chains by 2025.

**F4.1b**

**(F4.1b) Provide further details on the board's oversight of forests-related issues.**

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	GCCS provides periodic updates on the company's citizenship and sustainability initiatives and performance at the Board and committee level. As of FY20, Corporate Citizenship and Sustainability is a standing agenda item scheduled for the Nominating and Governance committee of the Board of Directors. During Nominating and Governance Committee meetings, the Senior Vice President of Global Corporate Citizenship and Sustainability reports out on progress against ELC's sustainability goals, which include forests-related goals set in FY19: - At least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains by the end of 2025. - Our ambition is to use responsibly-sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC-certified by the end of 2025.

**F4.2**

**(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Other C-Suite Officer, please specify (Senior Vice President, Global Corporate Citizenship and Sustainability)	Both assessing and managing forests-related risks and opportunities	Quarterly	We consider C-Suite to be our executive leadership team. ELC's SVP, Global Corporate Citizenship and Sustainability (GCCS) is therefore considered to be a member of our C-suite; this position reports directly to the Executive Chairman and CEO. In this role, the SVP, GCCS is responsible for integrating citizenship and sustainability into business strategy and operations. In particular, the SVP, GCCS guides forests-related sustainability strategy, oversees our forests-related goal progress and assesses and manages forests-related risks and opportunities. The SVP, GCCS, is scheduled to report to the Nominating and Governance Committee of the Board of Directors on a quarterly basis, providing updates on forests-related issues, such as progress on our FSC and Palm Oil goals: - At least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains by the end of 2025. - Our ambition is to use responsibly-sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. For example, in FY21, the SVP, GCCS provided an update on our responsible sourcing and packaging goals, detailed above, and our palm oil action plan to the Nominating and Governance Committee.

**F4.3**

**(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	

F4.3a

**(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Procurement Officer (CPO)	Achievement of commitments and targets	Our Chief Procurement Officer's annual performance review and remuneration package includes the successful delivery of ELC's Responsible Sourcing and Supplier Sustainable strategy. As part of our Responsible sourcing program we have commitments to NDPE Policy compliance and goals including: • By 2025, at least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains. • 100% of our forest-based fiber cartons FSC certified by 2025. Key performance indicators to measure successful progress towards our no deforestation commitments include the percentage of RSPO physically certified sustainable palm based ingredients and percentage of FSC certified forest-based fiber carton as per our goals. We have annual interim internal goals for these indicators to track progress to 2025 as part of our Procurement Scorecard. The threshold of success is demonstrated by delivery of these interim sustainability goals and metrics.
Non-monetary reward	Chief Procurement Officer (CPO)	Achievement of commitments and targets	Our Chief Procurement Officer's annual performance review and associated performance rating includes the successful delivery of ELC's Responsible Sourcing and Supplier Sustainable strategy. As part of our Responsible sourcing program we have commitments to NDPE Policy compliance. Key performance indicators to measure successful progress towards our no deforestation commitments include percentage of RSPO physically certified sustainable palm based ingredients and percentage of FSC certified forest-based fiber carton.

F4.4

**(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?**

No, and we have no plans to do so

F4.5

**(F4.5) Does your organization have a policy that includes forests-related issues?**

Yes, we have a documented forests policy that is publicly available

F4.5a

**(F4.5a) Select the options to describe the scope and content of your policy.**

Scope	Content	Please explain
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	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>Description of forests-related standards for procurement</p>	<p>ELC recognizes the importance of forest-based commodities to our business, particularly as they relate to our product packaging and raw ingredients. To solidify this commitment, in fiscal 2020, we implemented a No Deforestation, No Peat, No Exploitation (NDPE) Policy, which explicitly outlines our expectations for our raw material suppliers regarding no deforestation and no conversion. The NDPE Policy is based on criteria from The Accountability Framework, a set of common norms and guidance for establishing, implementing and monitoring ethical supply chain commitments in agriculture and forestry. The selected content was included because it best aligns with ELC's responsible sourcing strategy and reflects the targets and goals we have set to achieve our strategy. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. The policy covers all suppliers globally with whom ELC engages, as well as all biomes and ecoregions impacted by our direct operations and supply chains. The NDPE policy is used internally to inform commodity specific action plans, as a basis to conduct due diligence of ingredients and packaging sourcing, and to engage suppliers to ensure compliance with these criteria. ELC will conduct due diligence of raw material sourcing to ensure compliance with these criteria. We will begin this process by conducting key commodity supplier compliance assessments, which will then further inform commodity-specific action plans. We will report on this process annually as appropriate. Our intent is to raise suppliers' performance so they can comply with our standards. If suppliers fail to comply with the outlined ingredients and packaging sourcing criteria, we will develop supplier corrective action plans and aid in implementation. If there is a lack of cooperation or untimely implementation of corrective action plans, this may result in a reduction in supplier business or termination of the supplier relationship. To reflect ongoing best practices developing in each of our commodity supply chains, as well as our overall organisation strategy, we will proactively review and update this policy periodically.</p>

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related standards for procurement</p>	<p>Through our NDPE policy and FSC targets, we specify the principles and goals that are applicable for our timber products and these are in the process of being formalized into a timber action plan this year. The selected content was included because it best aligns with ELC's sustainable sourcing strategy and reflects the targets and goals we have set to achieve our strategy. Our NDPE policy recognizes the value and importance of forests and commits to no deforestation or conversion of natural forests. To achieve this, we have an ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. We will report on this process annually as appropriate. This commodity-specific action plan will be used to inform internal decision-making including our responsible procurement procedures. ELC endeavors to source our timber products responsibly and sustainably with respect for local communities and the environment by procuring ingredients from suppliers that can demonstrate adherence to the principles outlined in our Supplier Code of Conduct and NDPE policy. We assess compliance with these responsible sourcing policies through supplier performance, increased traceability, and third-party certification to the Forest Stewardship Council (FSC) Principles and Criteria. To ensure our FSC commitment remains supported and aligned to the wider business strategy, in FY19, we announced a target to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. We ensure that we are maintaining and improving our percentage of FSC certified packaging by monitoring our consumption of certified products and shifting sourcing of paper products to suppliers with FSC certified products or engaging with suppliers to encourage them to obtain FSC certification. For example, ELC signed a commercial agreement with a second tier sustainability leader and Forest Stewardship Council (FSC) certified manufacturer (Paper Mill), enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents almost 80% of total folding cartons supply.</p>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	Yes	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related standards for procurement	Building upon The Estée Lauder Companies' (ELC) No Deforestation, No Peat, No Exploitation (NDPE) Policy, published in 2020, we have developed a commodity-specific action plan to address palm-based ingredients (palm oil and its derivatives). This plan applies to all ingredients purchased directly by ELC and includes all sourcing regions and operations, and direct suppliers from whom we source palm-based ingredients. The selected content was included because it best aligns with ELC's responsible sourcing strategy and reflects the targets and goals we have set to achieve our strategy. While ELC is a comparatively low-volume user of palm-based ingredients relative to other sectors, we are committed to taking concrete action with our suppliers to build sustainable and ethical palm supply chains. ELC has identified the following three key focus areas where we intend to build upon current policies and procedures to further our progress on responsibly sourcing palm-based ingredients: Sustainable Procurement, Monitoring & Transparency, and Community Engagement. This commodity-specific policy is used to inform internal decision-making including our sustainable procurement procedures and responsible sourcing targets. In 2019, ELC committed that at least 90% of its palm-based ingredients will be certified sustainable from RSPO physical supply chains by 2025. ELC plans to accelerate its sustainable palm procurement by: • Continuing to build supplier capacity to make progress against its goal that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by 2025. • Offering training on our NDPE policy and Palm Action Plan to our key direct palm-based ingredient suppliers and relevant Third-Party Manufacturers. • Leveraging an industry aligned supplier sustainable palm sourcing assessment methodology with key palm suppliers in 2021 to inform supplier prioritization and drive continuous improvement. ELC recognizes this commitment is a journey and we expect to continue to evolve and establish best practices with our partners and other stakeholders. We plan to share and update our progress on priority areas, including RSPO physically certified sustainable palm volumes, traceability and community impact projects on an annual basis. We will proactively review this policy annually.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

#### F4.6

**(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**

Yes

## F4.6a

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### **(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?**

Other, please specify (Accountability Framework, High Conservation Value Network)

## F4.6b

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### **(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.**

#### **Forest risk commodity**

Timber products

#### **Criteria**

No conversion of natural ecosystems  
Zero gross deforestation/ no deforestation  
Avoidance of negative impacts on threatened and protected species and habitats  
No conversion of High Conservation Value areas  
Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities  
Operations are in accordance with the UN Declaration on the Rights of Indigenous Peoples  
Promotion of gender equality and women's empowerment  
Adoption of the UN International Labour Organization principles  
Resolution of complaints and conflicts through an open, transparent and consultative process  
Facilitate the inclusion of smallholders into the supply chain  
No sourcing of illegally produced and/or traded forest risk commodities  
Restricting the sourcing and/or trade of forest risk commodities to credible certified sources  
Recognition of legal and customary land tenure rights

#### **Operational coverage**

Supply chain

#### **% of total production/ consumption covered by commitment**

100%

#### **Cutoff date**

No cutoff date

#### **Commitment target date**

2020

#### **Please explain**

In FY20, we published our No Deforestation, No Peat, No Exploitation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. Further, the NDPE commits us to conduct due diligence of raw material sourcing to ensure compliance with these criteria. We will begin this process by conducting key commodity supplier compliance assessments, including timber, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies publicly committed to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. Through the FSC, forest managers must meet the FSC's Principles and Criteria, which sets out 10 principles and 70 criteria to ensure that forest management is 'of environmentally appropriate, socially beneficial and economically viable'. These criteria include commitments to upholding the principles and rights at work as defined in the ILO Declaration on Fundamental Principles and Rights at Work, upholding the legal and customary rights of Indigenous Peoples, and committing to not damaging or threatening High Conservation Value sites (criteria selected above). Obtaining timber products with this certification allows us to meet our NDPE commitment. We have established and are validating comprehensive glidepaths to achieve our packaging goals and are enhancing our data collection and reporting capabilities. We are on track with glidepath execution. To meet the selected criteria, including "No conversion of natural ecosystems", "No deforestation", and "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities", we continue to increase the percentage of FSC certified forest-based fiber cartons. In FY20, 63% of our forest-based fiber cartons are FSC certified, increasing from 28% in fiscal 2019. For example, in FY20 we replaced a plastic tray, used in the set for one of our fragrances, with FSC-certified paper. Furthermore, ELC signed a commercial agreement with a second tier Sustainability leader and Forest Stewardship Council (FSC) certified manufacturer (Paper Mill), enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents almost 80% of total folding cartons supply.

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#### **Forest risk commodity**

Palm oil

#### **Criteria**

No conversion of natural ecosystems  
Zero gross deforestation/ no deforestation  
No new development on peat regardless of depth  
Avoidance of negative impacts on threatened and protected species and habitats  
No land clearance by burning or clearcutting  
No conversion of High Conservation Value areas  
No conversion of High Carbon Stock forests  
Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities  
Promotion of gender equality and women's empowerment  
Adoption of the UN International Labour Organization principles  
Resolution of complaints and conflicts through an open, transparent and consultative process  
Facilitate the inclusion of smallholders into the supply chain  
No sourcing of illegally produced and/or traded forest risk commodities  
Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

#### **Operational coverage**

Direct operations and supply chain



**% of total production/ consumption covered by commitment**

100%

**Cutoff date**

2005

**Commitment target date**

2020

**Please explain**

In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. The key cutoff dates for the different criteria include the following: - Land clearing since November 2005 has not damaged primary forest or any area required to protect or enhance HCVs. - Land clearing since 15 November 2018 has not damaged HCVs or HCS forests and there has been no new development on peatland regardless of depth. To ensure compliance with the criteria in the NDPE policy, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. RSPO's Principles and Criteria requires that suppliers are aligned to sustainable palm sourcing principles, including but not limited to No deforestation, No conversion, Land clearing does not cause deforestation or damage any area required to protect or enhance High Conservation Values (HCVs) or High Carbon Stock (HCS) forest. HCVs and HCS forests in the managed area are identified and protected or enhanced, No peatland development regardless of depth, No burning in preparation of new plantings or re-plantings, Free and prior informed consent (FPIC) to ensure protection and promotion of the rights of indigenous peoples and vulnerable communities, Protection of human rights, including no forced labor, no harassment, no discrimination, and ensuring a safe working environment. By increasing the percentage of RSPO certified palm, we are taking action to meet these commitments. Through the end of calendar year 2020, The Estée Lauder Companies made good progress towards this goal, achieving 70% RSPO certification of its palm-based ingredients from physical supply chains. Another example of action to meet our "No conversion of natural ecosystems" and "Zero gross deforestation / no deforestation" commitments is the approval of a grant by the Estée Lauder Companies Charitable Foundation in FY2020 to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). This project aims to reforest 50 ha of land. Under the Mosaik Initiative, Project Inobu uses a collaborative approach to research, technology development and institutional development to address the underlying environmental, social, economic and agronomic problems faced by farmers to create results such as no deforestation from commodity expansion and diversified farmer livelihoods to reduce pressure on forests.

**F5. Business strategy**

**F5.1**

**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	5-10	Forests-related issues are integrated into ELC's long-term business objectives. For example, our 2019-2025 Environmental, Social and Governance goals include targets for both timber and palm commodities, as well as wider commitments on packaging, waste, ingredients, and energy and climate. These goals are an important part of our strategy to embed citizenship and sustainability into our business operations. For example, we have set a goal to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by 2025. In FY20, 63% of our forest-based fiber cartons are FSC certified, increasing from 28% in FY19. For palm we set a goal that by 2025, at least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains.
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	The strategy used to achieve our Responsible Sourcing targets includes: 1. The publication of our NDPE policy in FY20. Following this, we will conduct due diligence of raw material sourcing to ensure compliance with these criteria and ensure they prohibit new clearing or palm development on High Carbon Stock (HCS), High Conservation Value (HCV) forests, beginning this process by conducting key commodity supplier compliance assessments, which will then further inform commodity-specific action plans. 2. Becoming a founding member of the Action for Sustainable Derivatives (ASD), a collaborative initiative co-managed and co-facilitated by BSR and Transitions, to promote responsible sourcing and collective action to increase sustainable production of palm oil and palm oil derivatives. ASD participants aim to scale up efforts towards compliance with NDPE principles and to positively transform the palm oil industry to address social and environmental issues on the ground. 3. Supporting The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production to help drive responsible procurement best practice, which we initiated in November 2018. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods. 4. Supporting Project Inobu - In 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). This project aims to reforest 50 ha of land.
Financial planning	Yes, forests-related issues are integrated	5-10	To achieve the targets that we set in FY19 to source 100% of our forest-based fiber cartons from FSC-certified sources and at least 90% of our palm-based ingredients from RSPO physical supply chains by the end of 2025, we have set aside significant resources to make up for the additional costs associated with purchasing sustainably-sourced timber and palm oil and developing our smallholder engagement projects. For example, in 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). This project aims to reforest 50 ha of land. Under the Mosaik Initiative, Project Inobu uses a collaborative approach to research, technology development and institutional development to address the underlying environmental, social, economic and agronomic problems faced by farmers to create results such as no deforestation from commodity expansion and diversified farmer livelihoods to reduce pressure on forests.

**F6. Implementation**

**F6.1**

**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

## F6.1a

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**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

Our ambition is to use responsibly-sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by 2025.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Chain of Custody

**Start year**

2019

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

63

**Please explain**

In FY19, we announced a target for our forest-based fiber cartons. Our ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. It also has a robust system of safeguards to ensure forest owners/managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. This target along with other sustainable packaging and ESG targets will enable ELC to continue to advance its commitment to responsible corporate citizenship. These enterprise-wide goals will drive value for our brands as they align and innovate to meet these commitments. Consumers and employees are increasingly drawn to purpose-driven brands and companies. We have a long history of giving back and improving the places where we live and work. We ensure that we are progressing towards this target every year by shifting sourcing of timber products to suppliers with FSC certified products. For example, ELC signed a commercial agreement with a second tier Sustainability leader and Forest Stewardship Council (FSC) certified manufacturer (Paper Mill), enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents almost 80% of total folding cartons supply. For existing suppliers which do not have FSC certification we will not agree to new business contracts until certification is complete.

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**Target reference number**

Target 2

**Forest risk commodity**

Palm oil

**Type of target**

Third-party certification

**Description of target**

As part of our NDPE commitment, we have committed that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

RSPO Identity Preserved  
RSPO Segregated  
RSPO Mass Balance

**Start year**

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2019

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

90

**% of target achieved**

78

**Please explain**

Through the end of calendar year 2020, The Estée Lauder Companies made good progress towards this goal - 70% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance and Identity Preserved), achieving 78% of our target. We continue to work with suppliers on sourcing RSPO Mass Balance certified palm-based ingredients (palm oil and its derivatives). In FY19, we set an enterprise-wide goal for palm oil that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. We selected to set our goal of 90% from RSPO certified physical supply chains because of a variety of factors, including, for example, the availability of certified palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. For example, in FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to enable the supplier to meet our RSPO requirements.

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**Target reference number**

Target 3

**Forest risk commodity**

Palm oil

**Type of target**

Third-party certification

**Description of target**

Since 2015, 100% of the palm-based ingredients ELC sources for its products are RSPO certified through a combination of RSPO certified physical supply chains and RSPO Book & Claim palm oil credits. Our target is to maintain 100% RSPO certification through Book & Claim and physical supply chains whilst increasing the proportion of physically certified palm volumes. In 2019, ELC committed that at least 90% of its palm-based ingredients will be certified sustainable from RSPO physical supply chains by 2025.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

RSPO (any type)

**Start year**

2019

**Target year**

2020

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

100

**Please explain**

We continue to work with suppliers on sourcing RSPO Mass Balance certified palm-based ingredients (palm oil and its derivatives). Since 2015, 100% of the palm-based ingredients ELC sources for its products are RSPO certified through a combination of RSPO certified physical supply chains and RSPO Book & Claim palm oil credits. In FY19, we set an enterprise-wide goal for palm oil that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. We engage with our suppliers to increase our volumes of RSPO certified materials. For example, in FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to enable the supplier to meet our RSPO requirements.

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**Target reference number**

Target 4

**Forest risk commodity**

Palm oil

**Type of target**

Traceability

**Description of target**

Through our membership in ASD, ELC is committed to establishing traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients

meet our sourcing principles, and collectively monitor and address grievance. Though this is an internal target, as part of our public palm action plan, we commit to reporting on our progress annually. Our target in FY20 was to trace at least 75% of palm volumes to the mill.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

Mill

**Third-party certification scheme**

<Not Applicable>

**Start year**

2019

**Target year**

2020

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

75

**% of target achieved**

100

**Please explain**

ELC is continuing to monitor our sustainable palm procurement by building transparency and confidence in our supply chain among partners and suppliers through industry collective action. In 2019, ELC became a founding member of the Action for Sustainable Derivatives (ASD), a pre-competitive collaboration of brands and suppliers aimed at addressing responsible sourcing in complex derivative supply chains by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. Through our membership in ASD, ELC is committed to establishing traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles, and collectively monitor and address grievances. This year, ELC hosted a webinar for all of its key palm suppliers to train them on sustainable palm oil, ELC's NDPE policy and commitments, and ASD's mission and traceability exercise kickoff. Through this increased supplier engagement ELC expects to continue to achieve progress on its traceability to mill. We achieved 79% traceability to mill in FY20, surpassing our target.

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**Target reference number**

Target 5

**Forest risk commodity**

Palm oil

**Type of target**

Engagement with smallholders

**Description of target**

In 2019, the company launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. The target of this Project is to train 1000 smallholders in Farmer Field School.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Start year**

2019

**Target year**

2022

**Quantitative metric**

<Not Applicable>

**Target (number)**

1000

**Target (%)**

<Not Applicable>

**% of target achieved**

56

**Please explain**

In 2019, the company launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. Though COVID-19 impacts have extended this project out one more year, 56% of smallholders included in the project have completed the Farmer Field school, on track to include the remaining smallholders by the end of 2022.

## F6.2

### (F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	ELC is currently implementing a DDS procedure which includes collecting traceability information on the origin of timber-based products, among other information. For example, ELC signed a commercial agreement with a second tier Sustainability leader and Forest Stewardship Council (FSC) certified manufacturer (Paper Mill), enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents almost 80% of total folding cartons supply. Additionally, FSC certification helps to improve timber traceability because the FSC system includes a certified chain of custody. This tracks materials and products through every stage in the supply chain from the forest or point of reclamation, to the point where it is finished and labelled. In FY20, 63% of folding cartons category are FSC certified in support of our goal to have 100% our forest-based fiber cartons source FSC-certified by the end of 2025. More commercial agreements are under discussion on this topic.	Not applicable	<Not Applicable>
Palm oil	Yes	In fiscal 2020, we further strengthened our commitment to responsible palm oil sourcing by becoming one of the founding members of a new coalition, Action for Sustainable Derivatives (ASD). ASD is focused on the complex palm oil derivatives supply chain and comprises a group of personal care companies and their suppliers that use derivatives. ASD intends to increase the transparency of the global derivatives supply chain, collectively monitor risks and activities along the supply chain and implement collective action projects to address social and environmental issues on the ground. The palm derivative supply chain is complex. Through our ASD membership, we have engaged with key suppliers to establish traceability to the mill level for more than 70% of our palm derivative volumes using GFW Pro and the SPOTT tool. This visibility is crucial to help address risks and will allow us to confirm that the sourcing practices of our palm ingredients suppliers align to our principles.	Not applicable	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F6.2a

### (F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Forest management unit	26
Timber products	Country	48
Timber products	First importer	26
Palm oil	Plantation	28
Palm oil	Mill	51
Palm oil	Refinery	4
Palm oil	First importer	17

## F6.3

### (F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	29
Palm oil	Yes	100
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.3a

### (F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

Forest risk commodity  
Palm oil

**Third-party certification scheme**

RSPO Mass Balance

**Chain-of-custody model used**

&lt;Not Applicable&gt;

**% of total production/consumption volume certified**

70.4

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

2546

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

No

**Please explain**

In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, ELC took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. Through the end of calendar year 2020, The Estée Lauder Companies made good progress towards this goal, achieving 70% RSPO certification (through mass balance and identity preserved) for palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. For example, in FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to enable the supplier to meet our RSPO requirements.

**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Identity Preserved

**Chain-of-custody model used**

&lt;Not Applicable&gt;

**% of total production/consumption volume certified**

0.1

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

3

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

No

**Please explain**

Through our membership in the Action for Sustainable Derivatives collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles. In addition, through ASD we are addressing responsible sourcing by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. Through the end of calendar year 2020, The Estée Lauder Companies made good progress towards this goal, achieving 70% RSPO certification (through mass balance and identity preserved) of its palm-based ingredients from physical supply chains (Mass Balance and Identity Preserved).

**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Credits/Book &amp; Claim

**Chain-of-custody model used**

&lt;Not Applicable&gt;

**% of total production/consumption volume certified**

29.5

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

1066

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

No

**Please explain**

Since 2015, 100% of the palm-based ingredients ELC sources for its products are RSPO certified through a combination of RSPO certified physical supply chains and RSPO Book & Claim palm oil credits. In addition to our expanded portfolio of palm-related positive impact projects, we procure only Independent Smallholder Book and Claim credits, supporting direct market access for smallholders. To support smallholder farmers, we purchased more than 1,000 RSPO Independent Smallholder credits, equivalent to over 28% of our annual palm volumes in 2020. Through these purchases, we supported smallholder groups with more than 2,200 independent smallholder palm oil farmer members in Indonesia and Malaysia.

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**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Chain of Custody

**Chain-of-custody model used**

<Not Applicable>

**% of total production/consumption volume certified**

29

**Form of commodity**

Secondary packaging

Tertiary packaging

**Volume of production/ consumption certified**

5868

**Metric for volume**

Metric tons

**Is this certified by more than one scheme?**

No

**Please explain**

To ensure our FSC commitment remains supported and aligned to the wider business strategy, in FY19, we announced a target for our forest-based fiber cartons. Our ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. It also has a robust system of safeguards to ensure forest owners/ managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. Furthermore, before establishing our public commitments, some ELC brands such as Aveda and Origins had already been using FSC certified folding cartons, including Aveda's first Forest Stewardship Council (FSC) certified high-end folding carton paperboard made from 100% post-consumer waste (PCW). We ensure that we are maintaining and improving our percentage of FSC certified secondary and tertiary packaging by monitoring our consumption of certified products and shifting sourcing of paper products to suppliers with FSC certified products or engaging with suppliers to encourage them to obtain FSC certification. For example, ELC signed a commercial agreement with a second tier Sustainability leader and Forest Stewardship Council (FSC) certified manufacturer (Paper Mill), enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents almost 80% of total folding cartons supply.

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**F6.4**

**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	<b>A system to control, monitor or verify compliance</b>	<b>Comment</b>
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

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**F6.4a**

**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).**

**Forest risk commodity**

Timber products

**Operational coverage**

Supply chain

**Description of control systems**

We monitor compliance with the NDPE policy through FSC certification. The FSC does not allow for deforestation to take place in its certified concessions. The requirements ensure that certified-forest managers maintain their forests cover and structure, function, biodiversity and productivity. This is complemented by specific requirements for the maintenance and/or enhancement of areas with high conservation value (HCV). FSC-certified forest management requires forest owners/managers to minimize negative impacts to avoid and compensate for any form of forest degradation. The FSC system contains normative requirements to be followed by certification bodies, including the requirement that audits be conducted at least annually, and not later than 15 months after the previous audit, in the case of chain of custody certification.

**Monitoring and verification approach**

Third-party verification

**% of total volume in compliance**

21-30%

**% of total suppliers in compliance**

81-90%

**Response to supplier non-compliance**

Suspend & engage

**Procedures to address and resolve non-compliance with suppliers**

Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

**Please explain**

The FSC system includes the requirement that audits are conducted at least annually and no later than 15 months after the previous audit, in the case of chain of custody certification. Our response to non-compliance depends on the severity of the non-compliance. In extreme cases we will terminate supplier contracts. For less extreme cases for our current non-certified suppliers we will work with them to gain certification and will not renew business contracts until their certification is complete. Currently 100% of our folding cartons suppliers are able to provide FSC certified materials. In FY20, 63% of our forest-based fiber cartons are FSC certified, increasing from 28% in FY19. We anticipate that this percentage will increase as we continue to implement internal controls to ensure compliance with FSC requirements and strive to reach our goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025.

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**Forest risk commodity**

Palm oil

**Operational coverage**

Supply chain

**Description of control systems**

RSPO/ACOP tracking: We monitor and track RSPO physically certified ingredient sourcing of physically certified palm volumes through our internal RDS system. We calculate certified volumes periodically through a standardized operational procedure (SOP) and publish progress annually through the RSPO ACOP (Annual Communication on Palm).

**Monitoring and verification approach**

Third-party verification

**% of total volume in compliance**

71-80%

**% of total suppliers in compliance**

91-99%

**Response to supplier non-compliance**

Retain & engage

**Procedures to address and resolve non-compliance with suppliers**

Providing information on appropriate actions that can be taken to address non-compliance

**Please explain**

Supplier compliance is calculated by suppliers that are supply chain certified or licensed through RSPO. Majority of ELC's palm ingredient supply is consolidated with a small number of suppliers that represents about 95% of our palm volume and have at least one site/material that is RSPO certified. We calculate certified volumes periodically through a standardized operational procedure (SOP) and publish progress annually through the RSPO ACOP (Annual Communication on Palm). We address non-compliance depending on whether the supplier currently exists within our supplier portfolio or whether the supplier is new, rather than based on the severity of non-compliance. For all new material that is coded, the materials must be RSPO Mass Balance compliant or greater or they will not be coded. For existing suppliers, we look to engage with them to facilitate a shift to RSPO certified materials providing them with timeframes for achieving RSPO certification. For example, in FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to enable the supplier to meet our RSPO requirements.

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F6.6



**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Comment
Timber products	<Not Applicable>	<Not Applicable>
Palm oil	Yes, from suppliers	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.6a**

**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

**Palm oil**

**Procedure to ensure legal compliance**

ELC secures 100% of palm oil volumes from RSPO certified sources, which is how we establish legal compliance with forest regulations and mandatory standards. RSPO Principles and Criteria, which all certified manufacturers and actors across the value chain must adhere to, include the principle 'operate legally and respect rights' and the criteria 'compliance with all applicable local, national, and ratified international laws and regulations'. For example, the palm oil derivative we source from Brazil is RSPO-Identity preserved certified, which guarantees the palm oil is coming from a single identifiable certified source. We collect RSPO certification data with every purchase, such as suppliers' RSPO certification numbers, as requested by the RSPO standard. We understand that by obtaining the RSPO - Identity Preserved certification our suppliers have demonstrated compliance with the Brazilian Forest Code, an applicable local regulation.

**Country/Area of origin**

Brazil  
Indonesia  
Malaysia

**Law and/or mandatory standard(s)**

Brazilian Forest Code  
ISPO  
MSPO

**Comment**

N/A

**F6.7**

**(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Not applicable	<Not Applicable>	<Not Applicable>	<Not Applicable>	We do not currently source any of our timber products from smallholders. Even though ELC does not have direct influence over the production practices that timber smallholders implement, through our FSC certification commitments, we endorse the work of FSC who engage with smallholders to implement good agricultural practices.
Palm oil	Yes, working with independent smallholders	Capacity building	Offering on-site technical assistance and extension services Prioritizing support for smallholders in high-risk deforestation regions	1000	We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and demonstrate the same commitment to operating responsibly and ethically across all facets of business including smallholders. According to RSPO, over 3 million smallholders produce more than 40% of global palm oil and rely on palm oil to support their livelihoods. These small-scale farmers face significant challenges, including limited access to markets and finance; lack of training on agricultural best practices, which leads to low productivity; and land tenure insecurity. ELC is committed to supporting smallholder farmers by helping to build their capacity and improve their livelihoods with the goal of increasing their participation in the palm oil supply chain. Our main strategy for engaging with smallholders includes: Capacity building: In 2019, we launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. This includes the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers. In 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu).
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping	Supplier questionnaires on environmental and social indicators	61-70%	Our expectations for suppliers of product ingredients and packaging materials, as well as third-party manufacturers, are set forth in the ELC Supplier Code of Conduct ( <a href="https://www.elcompanies.com/en/our-commitments/working-with-our-suppliers/supplier-code-of-conduct">https://www.elcompanies.com/en/our-commitments/working-with-our-suppliers/supplier-code-of-conduct</a> ). The Code serves as the basis for evaluation of suppliers with regard to ethical business practices and is the foundation of our Responsible Sourcing program. The Supplier Code addresses a number of areas including human rights, child labor, forced labor, discrimination, worker health and safety, environment, ethical practices, and anticorruption. We engage and monitor existing supplier environmental, social and governance performance via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on environmental impact, labor and human rights, ethics, and sustainable procurement practices. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform. Suppliers are provided with a list of strengths and areas for improvements. Suppliers with low performance are requested to be assessed annually. 64% of secondary and tertiary packaging suppliers have been engaged representing 96% of the spend.
Palm oil	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Offering on-site training and technical assistance Financial incentives for certified products	81-90%	ELC endeavors to source our palm-based ingredients responsibly and sustainably with respect for local communities and the environment by procuring ingredients from suppliers that can demonstrate adherence to the principles outlined in our Supplier Code of Conduct and NDPE policy. The Code serves as the basis for evaluation of suppliers regarding ethical business practices and is the foundation of our Responsible Sourcing program. Our main strategy for engaging with direct suppliers includes: Supplier questionnaires: We engage and monitor existing supplier environmental, social and governance performance via EcoVadis. EcoVadis ratings assess environmental impacts among others. Each participating supplier answers a customized questionnaire and provides supporting documentation on the EcoVadis platform. Suppliers are provided with a list of strengths and areas for improvements. Suppliers with low performance are requested to be assessed annually. On-site training and technical assistance: In November 2018, we joined and kicked off The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production led by global NGO Solidaridad. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2022. Key components of the Lampung Project include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers. Financial incentives for certified products: In FY20, ELC negotiated with one of our current suppliers to produce a high-volume material specifically for ELC's use as no other current customers were requesting RSPO Mass Balance grade materials. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to meet our RSPO requirements. Through these strategies, over 50 direct suppliers of palm ingredients are engaged. While we have direct control over our own purchase of palm, we are also able to influence our larger network of suppliers and partners. In early FY2020, we informed our TPMs third-party manufacturers that they should use palm ingredients that are from an RSPO physically certified sustainable source.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?**

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Supply chain mapping	Supplier questionnaires on environmental and social indicators	We engage and monitor existing supplier, and some key second tier suppliers (manufacturers) environmental, social and governance performance via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on environmental impact, labor and human rights, ethics and sustainable procurement practices. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform.
Palm oil	Yes, working beyond first tier	Supply chain mapping	Supplier questionnaires on environmental and social indicators	We engage and monitor existing supplier and 2nd tier suppliers (manufacturers) environmental, social and governance performance via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on environmental impact, labor and human rights, ethics, and sustainable procurement practices. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?****Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Engaging with non-governmental organizations

**Initiatives**

&lt;Not Applicable&gt;

**Jurisdictional approaches**

&lt;Not Applicable&gt;

**Please explain**

Rainforest Alliance The Estée Lauder Companies engaged Rainforest Alliance in 2019 to support the development of its No Deforestation, No Peat, No Exploitation policy in accordance with the Accountability Framework.

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

Global Reporting Initiative (GRI) Community Member

**Jurisdictional approaches**

&lt;Not Applicable&gt;

**Please explain**

Global reporting Initiative (GRI): Engaging with peers and stakeholders from different industries and backgrounds, to support the continued development and refinement of the GRI Standards and harmonization of ESG disclosure and reporting. GRI Community members are always up to date with the latest insights and trends in sustainability and reporting, demonstrate leadership, collaborate with peers, and form a global community of practice and knowledge sharing. In FY21, we engaged with GRI by participating in their Business Leadership Forum on Circular Economy and Waste. This engagement fits into our wider environment strategy because the company continually strives to enhance the depth and transparency of its citizenship and sustainability disclosure to better meet the expectations of key stakeholders, including consumers, investors, and employees.

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Other, please specify (Supplier CSR Ratings Platform)

**Initiatives**

&lt;Not Applicable&gt;

**Jurisdictional approaches**

&lt;Not Applicable&gt;

**Please explain**

We assess suppliers' CSR performance through COC-aligned audits conducted by a leading third-party monitoring organization or through EcoVadis assessments. EcoVadis is an internationally recognized, collaborative CSR platform that helps us measure and drive suppliers' CSR improvements in the areas of labor & human rights, environmental management, and ethical business practices. We partner with suppliers to improve CSR performance, through improvement plans.

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in industry platforms

**Initiatives**

&lt;Not Applicable&gt;

**Jurisdictional approaches**

&lt;Not Applicable&gt;

**Please explain**

Circular Economy 100 (CE100) by Ellen MacArthur Foundation We believe it is important to work towards a more circular economy in which packaging is designed to be disassembled and reused. In FY19, we joined the Circular Economy 100 (CE100) program, run by the Ellen MacArthur Foundation. This platform brings together leaders and innovators in business, governments, and academia to contribute to society's transition to a circular economy. CE100 membership offers The Estée Lauder

Companies' employees access to the CE100 Learning Portfolio, an array of professional learning resources and tools. Employees can also refer to a portfolio of recommended online and residential courses delivered by universities and external learning providers. For example, this includes resources in areas like the use of Renewable Materials such as timber based products, to achieve a low carbon, circular economy. Sustainable Packaging Initiative for CosmEtics (SPICE): We have also joined the Sustainable Packaging Initiative for CosmEtics (SPICE), aligning with organizations in the cosmetics industry to collectively shape the future of sustainable packaging. Our membership allows us to maintain voting rights, ensuring we have a voice in important discussions. Sustainable Packaging Coalition (SPC): We are proud to be a founding member of the Sustainable Packaging Coalition (SPC), which brings together businesses, educational institutions and government agencies to collectively strengthen and advance the business case for more sustainable packaging. Through the SPC, 250 of our package developers and marketing and creative designers are utilizing the online learning platform, accessing training courses on topics such as the essentials of sustainable packaging and composting

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#### Forest risk commodity

Timber products

#### Do you participate in activities/initiatives?

Yes

#### Activities

Funding research organizations

#### Initiatives

<Not Applicable>

#### Jurisdictional approaches

<Not Applicable>

#### Please explain

Yale University's School of Forestry: The next generation of young leaders often brings the most forward-thinking ideas to the table. In the spirit of such collaboration, we teamed up with Yale University's School of Forestry in FY19 to conduct two studies to determine how we can further improve our packaging footprint. One study looked at how to increase the recycling rate at our Melville, New York, factory by reducing the amount of non-recyclable tertiary packaging coming in from suppliers. The second examined ways to improve the environmental footprint of our sampling activities. In FY20, we continued research on outbound packing materials used for e-commerce distribution to improve shipping efficiency and reduce environmental footprint.

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#### Forest risk commodity

Palm oil

#### Do you participate in activities/initiatives?

Yes

#### Activities

Engaging with communities

#### Initiatives

<Not Applicable>

#### Jurisdictional approaches

<Not Applicable>

#### Please explain

We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and demonstrate the same commitment to operating responsibly and ethically across all facets of business. In November 2018, we joined and kicked off The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production, led by global NGO Solidaridad. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2022. Key components of the Lampung Project include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers. The Project also seeks to improve communication and support the development of market linkages between farms and mills, as well as provide long-term technical support for these new tools after the formal training has ended. Solidaridad projects that with more sustainable practices in place, harvest yields will improve, and the local farmers will have greater ability to sell collectively. It is expected that farmer organizations that support compliance with the Smallholder Standard of the Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO) will further strengthen the practices and economies of local farms, and will ensure the region's supply is responsibly sourced, helping to ensure that sustainable practices are the industry standard. The collective approach reinforces our core values of ensuring quality, innovation and sustainability and demonstrates our commitment to ethical practices through the power of personal engagement -- in communities that we touch. In 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu).

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#### Forest risk commodity

Palm oil

#### Do you participate in activities/initiatives?

Yes

#### Activities

Involved in multi-partnership or stakeholder initiatives

#### Initiatives

Roundtable on Sustainable Palm Oil (RSPO)

#### Jurisdictional approaches

<Not Applicable>

#### Please explain

As members of RSPO, 100% of our palm-based ingredients are RSPO Certified through a combination of supply chain certification methods (physical supply chains such as Mass Balance and Identify Preserved, as well as Book & Claim credits). RSPO Book & Claim credits are purchased through RSPO PalmTrace, a certificate trading program, which contributes toward more sustainable palm oil products. We have committed that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. Formulas manufactured by Third-Party Manufacturers (TPMs) are currently excluded. (Physical supply chain refers to a palm oil supply that is sourced from certified plantations under the Mass Balance, Identify Preserved or Segregated certifications). To meet that goal, we seek to purchase our palm ingredients from certified sustainable sources and from suppliers that can demonstrate their compliance with the RSPO Principles & Criteria, including

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responsible consideration of affected employees, individuals and communities, encompassing social impact assessments, contributing to local sustainable development where appropriate and respecting human rights. Until we are able to purchase 100% palm-based ingredients from physical supply chains, we will annually purchase RSPO Book & Claim Credits to offset the use of non-sustainable palm-based ingredients that we procure directly, including Independent Smallholder Credits from RSPO. We are making progress against our targets. We increased our procurement of PKO derivative ingredients through RSPO-certified physical supply chains (using the Mass Balance method) with 70% of our CY2020 purchases RSPO MB certified. We have been a member of the RSPO since 2014. RSPO is the leading convening body that develops and sets the standards for sustainable palm oil and enables palm oil certification. In FY20, we signed the RSPO's North American Sustainable Palm Oil Network (NASPON) Charter Agreement, signaling our continued commitment to using certified sustainable palm oil/ kernel oil (CSPO). NASPON's vision is to make North America a 100% CSPO market. These engagements fit into our wider environment strategy since we have set a goal to purchase to have at least 90% of our palm-based ingredients (palm oil and its derivatives) certified sustainable from RSPO physical supply chains by 2025.

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**Forest risk commodity**

Palm oil

**Do you participate in activities/initiatives?**

Yes

**Activities**

Engaging with non-governmental organizations

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Rainforest Alliance The Estée Lauder Companies engaged Rainforest Alliance in 2019 to support the development of its No Deforestation, No Peat, No Exploitation policy in accordance with the Accountability Framework.

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**Forest risk commodity**

Palm oil

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in industry platforms

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Action for Sustainable Derivatives (ASD) In December of 2019, The Estée Lauder Companies became one of the founding members of the Action for Sustainable Derivatives (ASD), a collaborative initiative co-managed and co-facilitated by BSR and Transitions, to promote responsible sourcing and collective action to increase sustainable production of palm oil and palm oil derivatives. ASD participants aim to scale up efforts towards compliance with No Deforestation, No Peat, No Exploitation (NDPE) principles and to positively transform the palm oil industry. By harmonizing requirements, standardizing tools and methodologies, and mutualizing efforts, ASD intends to increase the transparency of the global derivatives supply chain, collectively monitor risks and activities along the supply chain, and implement collective action projects to address social and environmental issues on the ground.

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**Forest risk commodity**

Palm oil

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in jurisdictional approaches

**Initiatives**

<Not Applicable>

**Jurisdictional approaches**

INOBU (Indonesia)

**Please explain**

In December of 2019, The Estée Lauder Companies became one of the founding members of the Action for Sustainable Derivatives (ASD), a collaborative initiative co-managed and co-facilitated by BSR and Transitions, to promote responsible sourcing and collective action to increase sustainable production of palm oil and palm oil derivatives. In 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan, Indonesia led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). This engagement aligns with our wider no deforestation and no conversion commitments and commitment to supporting smallholder farmers by helping to build their capacity and improve their livelihoods with the goal of increasing their participation in the palm oil supply chain.

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**F6.11****(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

## F6.11a

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**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Forest ecosystem restoration

**Primary motivation**

Voluntary

**Description of project**

In 2020, the Estée Lauder Companies Charitable Foundation approved a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan, Indonesia led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). The project focuses on forest protection and habitat restoration vital for wildlife in Central Kalimantan's ecological corridors. Funding will go toward the training for small-holder palm oil farmers in order to promote responsible sourcing and increase sustainable production of palm oil and palm oil derivatives. This project was selected voluntarily as it aligns with our wider no deforestation and no conversion commitments including commitment to supporting smallholder farmers by helping to build their capacity and improve their livelihoods with the goal of increasing their participation in the palm oil supply chain.

**Start year**

2020

**Target year**

2023

**Project area to date (Hectares)**

0

**Project area in the target year (Hectares)**

50

**Country/Area**

Indonesia

**Latitude**

-2.25

**Longitude**

112

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

No measured outcomes

**Please explain**

The projects expected outcomes will include the restoration of 50 hectares of forest.

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## F7. Verification

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### F7.1

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**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

No, but we are actively considering verifying in the next two years

## F8. Barriers and challenges

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### F8.1

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**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Primary barrier/challenge type**

Supply chain complexity

**Comment**

The Estée Lauder Companies predominantly sources PKO-derived materials, similar to most other personal care products companies. The complexity of the PKO derivative ingredient supply chain continues to pose challenges to establishing source traceability for the Company, as well as to our tier 1 direct suppliers.

Resolution/Mitigation Efforts: The Estée Lauder Companies is collaborating with stakeholder groups and other companies to identify mechanisms to improve traceability in the PKO and PKO derivatives supply chain with a goal to increase our procurement of CSPKO ingredients and collectively engage key actors along the supply chain.

Through our membership in the Action for Sustainable Derivatives (ASD) collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles.

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**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited availability of certified materials

**Comment**

We are working to increase procurement of certified sustainable PKO-derived ingredients through physical supply chains in a market environment that offers limited availability of RSPO certified PKO and PKO-derived ingredients. Resolution/Mitigation Efforts: The Estée Lauder Companies is continuing to search for greater volumes of Mass Balance products as the oleo-chemical industry evolves to meet growing demand for CSPO/PKO materials. We are collaborating with stakeholder groups and other companies to identify mechanisms to improve traceability in the PKO and PKO derivatives supply chain with a goal to increase our procurement of CSPKO ingredients and collectively engage key actors along the supply chain. We have joined the North American Sustainable Palm Oil Network (NASPON) which aims to educate, build momentum, and accelerate collaboration within the North American market for the uptake of Certified Sustainable Palm Oil. ELC has been an active member of the derivatives working group to collaboratively address common challenges in the palm derivative supply chain.

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**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited supply chain engagement

**Comment**

Difficult communication with second tier manufacturers (Mill/paper manufacturer) in some cases.

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**F8.2**

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**(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Improved data collection and quality

**Comment**

ELC is currently implementing a DDS procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. Furthermore, we continue to increase the percentages of FSC certified materials to support our FSC certification goal, thus mitigating potential deforestation risks associated with these materials.

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

Our ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. This requires engaging our suppliers in FSC certification thus mitigating potential deforestation risks associated with these materials.

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

Our ambition is to have 90% of our palm-based ingredients certified sustainable from RSPO physical supply chains by the end of 2025. This requires engaging our suppliers in RSPO certification thus mitigating potential deforestation risks associated with these materials.

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Main measure**

Investment in monitoring tools and traceability systems

**Comment**

RDS and SAP have gaps in communication and alignment making data reconciliation difficult and untimely.

**F17 Signoff**

**F-FI**

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

N/A

**F17.1**

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	Job Title	Corresponding job category
Row 1	Executive Chairman	Board Chair

Submit your response



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**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

**Please confirm below**

I have read and accept the applicable Terms