



THE ESTÉE LAUDER COMPANIES INC.

BEAUTY  
*INSPIRED,*  
VALUES  
*DRIVEN*

OUR FISCAL 2021 SOCIAL IMPACT  
AND SUSTAINABILITY REPORT

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*We welcome you to our fiscal 2021  
Social Impact and Sustainability Report to  
learn more about what it means to be a  
**BEAUTY INSPIRED, VALUES DRIVEN** company.*



The Estée Lauder Companies is a different kind of company. For 75 years, we've continued to delight and inspire our consumers with high-quality products and experiences—thanks, in part, to the challenger spirit of our founder, Mrs. Estée Lauder, and our talented and diverse workforce. As we've grown into the global house of prestige beauty, with a portfolio of beloved brands, some things have remained constant: a culture of belonging for employees and consumers that creates a sense of family and fosters inclusion, diversity, and equity; an unwavering commitment to quality and excellence from exceptional products to High-Touch experiences; and our continued focus on social impact and sustainability.

***WE ARE COMMITTED TO:***

**INCLUSION, DIVERSITY & EQUITY**

Embracing the beauty of belonging by promoting equity and celebrating the diverse perspectives that make up our ELC family.

**ENVIRONMENTAL RESPONSIBILITY**

Applying ingenuity and innovation to create more sustainable prestige beauty products, while helping to contribute to a stable climate and a healthy, beautiful planet.

**SOCIAL INVESTMENTS**

Contributing to the communities where we live and work, with a special focus in areas where we see opportunities to make a difference, including health, girls' education, and well-being.

**EMPLOYEE ENGAGEMENT**

Empowering employees to drive social impact and sustainability across our business, fostering a culture of global citizenship, and amplifying our collective impact and shared culture of purpose.



# ABOUT THIS REPORT

This report provides information about the social impact and sustainability activities and performance for The Estée Lauder Companies Inc. (referred to herein as the “Company”, “ELC”, or “we”). The content covers our priority focus areas. Unless otherwise noted, this report covers activities during our fiscal 2021 (i.e., the period of July 1, 2020, through June 30, 2021) and includes data for most facilities we own (or lease) and operate. This report has been prepared in accordance with Global Reporting Initiative (GRI) Standards: Core option. This report is also aligned to the recommendations outlined by the Task Force for Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). The GRI, SASB, and TCFD indices for this report can be found on pages 107-117.

Certain environmental and social metrics have been subjected to independent limited assurance. Please see PricewaterhouseCoopers LLP’s Report on page 118.

Read more about our social impact and sustainability initiatives at: <https://www.elcompanies.com/en/our-commitments>. [↗](#)

Please see our Annual Report on Form 10-K [↗](#) for the fiscal year ended June 30, 2021 for other information including our business performance.



#### CAUTIONARY NOTE

This report contains information about our social impact and sustainability goals, targets, initiatives, commitments, and activities. These efforts involve certain risks and uncertainties, such as changes in our business (e.g., acquisitions, divestitures, or new manufacturing or distribution locations), the standards by which achievement is measured, the assumptions underlying a particular goal, and our ability to accurately report particular information. Actual results could differ materially from our stated goals or the results we expect. Changing circumstances, including evolving expectations for social impact and sustainability generally or to specific focus areas or changes in standards or the way progress or achievement is measured, may lead to adjustments in, or the discontinuation of, our pursuit of, certain goals, commitments, or initiatives. Moreover, the standards by which social impact and sustainability efforts and related matters are measured are developing and evolving, and certain areas are based on assumptions. The standards and assumptions could change over time. The selection by management of alternative acceptable measurements could have resulted in materially different amounts or metrics reported herein. In addition, statements made about our company, business, or efforts may not apply to all business units (e.g., ones that were more recently acquired).

This report may use certain terms that SASB, GRI, or others refer to as “material” in connection with certain social impact and sustainability matters. Used in this context, however, these terms are distinct from, and should not be confused with, the terms “material” and “materiality” as defined by, or construed in accordance with, securities or other laws and regulations. Therefore, matters considered to be material for purposes of this report may not be considered material in the context of our financial statements, reports with the U.S. Securities and Exchange Commission (“SEC”), or our other public statements, and the inclusion of information in this report is not an indication that such information is necessarily material to the Company in those contexts.

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our social impact and sustainability goals, targets, initiatives, commitments, and activities, as well as our future operations and long-term strategy. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, we cannot assure that actual results or outcomes will not differ materially from any future results or outcomes expressed or implied by such forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts and involve a number of known and unknown risks, uncertainties, and other important factors such as those described above and in our recent SEC filings including in “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, and in our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We assume no responsibility to update the information contained in this report or to continue to report any information.



# *ABOUT*

## THE ESTÉE LAUDER COMPANIES INC.

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WE ARE THE GLOBAL LEADER IN PRESTIGE BEAUTY—  
DELIGHTING CONSUMERS WITH HIGH-QUALITY  
PRODUCTS AND EXPERIENCES, INSPIRING THEM TO  
EXPRESS THEIR INDIVIDUAL BEAUTY.

We are the only company focused solely on prestige makeup, skin care, fragrance, and hair care. We have a diverse portfolio of more than 25 brands, and our products are sold in approximately 150 countries and territories. Infused throughout our organization is a passion for creativity and innovation—a desire to push the boundaries and invent the unexpected as we continue the bold work of our founder, Mrs. Estée Lauder.

## SELECT FISCAL 2021 RECOGNITIONS AND AWARDS

*Forbes*

2021 America's Best Employers for Women



*Working Mother*

Top Companies for Executive Women

*Human Rights Campaign*

Corporate Equality Index 2021

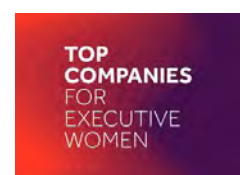


*Bloomberg*

2021 Gender-Equality Index

*Forbes*

2021 America's Best Employers for Diversity



*Working Mother*

2020 Diversity Best Practices Inclusion Index

*Glassdoor*

Top 100 CEOs

*CDP*

2020 Climate A List

*Dow Jones Sustainability Index (DJSI)*

North America



*3BL Media*

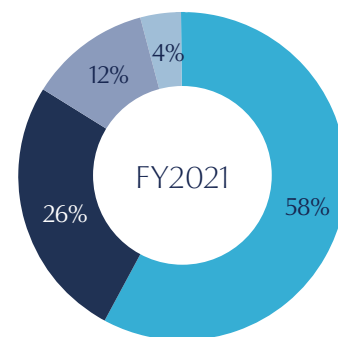
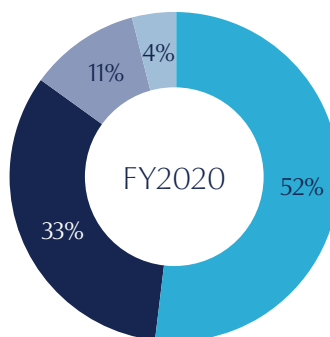
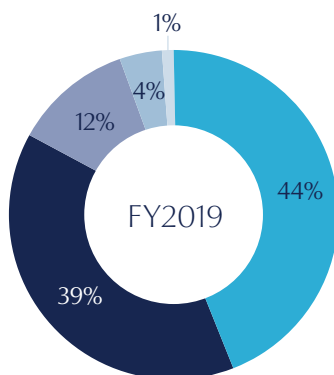
2021 100 Best Corporate Citizens

## FISCAL 2021 NET SALES

\$16.22B

### NET SALES BY PRODUCT CATEGORY (Percentage of Net Sales)

- SKIN CARE
- MAKEUP
- FRAGRANCE
- HAIR CARE
- OTHER



### NET SALES BY GEOGRAPHIC REGION\* (Percentage of Net Sales)

23%  
THE AMERICAS

43%  
EUROPE, THE MIDDLE EAST & AFRICA

34%  
ASIA-PACIFIC

\*The net sales and operating income from our travel retail business are included in the Europe, the Middle East & Africa region, with the exception of the net sales of Dr. Jart+ products in the travel retail channel that are reflected in Korea in the Asia/Pacific region.





## *LETTER FROM WILLIAM P. LAUDER & FABRIZIO FREDA*

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Dear Stakeholders,

At The Estée Lauder Companies, it is our ambition to lead in social impact; sustainability; and inclusion, diversity, and equity. Despite a year of continued challenges related to COVID-19, we remained steadfast in our commitment to these long-term objectives, while delivering exceptional business results.

This year is deeply significant to us, as it marks the 75th anniversary of The Estée Lauder Companies. The success of our company has long been rooted not only in our business strategy, but in a deep understanding of our core values, including respect for the individual, uncompromising ethics and integrity, generosity of spirit, and fearless persistence. As we look ahead, our responsibility is clear: to act on these values with even more intensity and intention, and to accelerate our commitment to help protect the planet and the health and well-being of our employees, consumers, and the communities in which we live, work, and source.

We are especially grateful to our employees' agility, focus, and persistence in helping drive progress on our sustainability and social impact goals and inclusion, diversity, and equity commitments, all while caring for each other, their families, and our company with compassion, creativity, and resolve.

From the start of the COVID-19 pandemic, we adjusted our operations and developed global protocols to protect the health and safety of our people and our consumers. For example, across the globe, our employees used more than five million masks to protect themselves and others while working on-site.

In addition, we dedicated our annual Mental Health Awareness Month in May 2021 to highlight initiatives to help our employees balance work-life and overall well-being. We also provided expanded benefits to provide support during critical times and assistance with everyday life challenges.

## ADVANCING ON OUR COMMITMENTS

### *Racial Equity and Gender Equality*

As the world continues to reckon with social and racial injustices, our global ELC family came together to develop a set of commitments to Racial Equity, as announced in June 2020. We also outlined a new set of commitments to Gender Equality, inclusive of achieving gender pay equity and globally increasing representation of women from underrepresented groups in our workforce. These efforts lay the foundation not only for a culture of equity and inclusion within our own walls, but also help contribute to advancing equity globally by adding our voice to the dialogue.

With an 82% female workforce globally, 55% of global VP and above positions held by women, and 46% of our U.S. workforce representing employees who are Black, Indigenous, and People of Color (BIPOC), we are proud of the steps we have taken on this journey. We recognize, however, that we have more work to do in order to accomplish greater results.

### *Climate Action*

We continued to facilitate the transition to a low-carbon economy and are proud to have joined CDP's 2020 Climate A List, with the highest score of A. For the second year in a row, we achieved Net Zero Scope 1 and Scope 2 emissions and sourced 100% renewable electricity globally for our direct operations.

After establishing our science based targets (SBTs) for reducing Scope 1, 2, and 3 greenhouse gas (GHG) emissions last year, we are working to meet these important goals by the end of fiscal 2030. In fiscal 2021, we made strong progress on our Scope 1 and 2 SBTs and continued to expand our efforts towards meeting our Scope 3 SBT.

Our largest renewable energy agreement to date—a 22 MW Virtual Power Purchase Agreement for a wind farm in Oklahoma—became fully operational, generating enough clean, renewable energy to cover our entire North America operations. We also expanded our growing renewable energy portfolio with a new on-site solar installation in Hillmount, Canada, bringing our total solar capacity to 5.7 MW. We generated a cumulative total of more than 5,000 MWh of solar energy in fiscal 2021, supporting both progress toward our SBTs and helping meet our facilities' energy needs with green power.

### *Packaging*

We aspire to lead the prestige beauty industry in developing more responsible packaging solutions for our consumers and to help drive innovation toward the goal of a circular plastic economy. We have made great strides to increase the amount of post-consumer recycled (PCR) material in our packaging. In fiscal 2021, we achieved our 2025 PCR goal years ahead of schedule, reaching 15% PCR material in our packaging.

We have now established a new, more ambitious target for PCR: By 2025, we will increase the amount of PCR material in our packaging to 25% or more. And, recognizing the increasing need to address the use of virgin plastic, we have set a goal to reduce the amount of virgin petroleum plastic in our packaging to 50% or less by 2030.

## *Product Responsibility*

We are committed to sourcing ingredients responsibly and with attention to potential impacts on people and environment. With 100% of our palm-based ingredients Roundtable on Sustainable Palm Oil (RSPO) certified, we continued to increase our purchase of palm oil from RSPO-certified physical supply chains in 2021, including through the purchase of RSPO Independent Smallholder credits. Through these purchases, we supported groups inclusive of more than 2,200 independent smallholder palm oil farmers in Indonesia and Malaysia.

Our innovative green chemistry program is now integrated into our product development process, giving us visibility into the green chemistry profile of new product launches. We are moving quickly to advance this work, especially in light of growing consumer interest in product formulation and believe that we are well positioned to lead in this space.

Consumers around the world trust our brands to deliver the best beauty performance and to do so safely, as supported by the most up-to-date research and safety review, evaluation and testing of ingredients and finished products. We are committed to sharing information about our ingredients and why we use them, with our goal to have all brands publish key ingredient glossaries by the end of calendar year 2025. Clinique, Origins, Aveda, and La Mer launched ingredient glossaries on their websites last year, and, in fiscal 2021, an additional seven brands—Estée Lauder, M·A·C, Bobbi Brown, Bumble and bumble, Editions de Parfums Frédéric Malle, GlamGlow, and Smashbox—published their own online glossaries.

## *Social Investments*

In fiscal 2021, we worked to deepen our impact by further aligning the strategy of The Estée Lauder Companies Charitable Foundation (ELCCF) to our broader social impact, racial equity, and gender equality strategies. This alignment will help us identify and support programs at the intersection of climate justice, human rights, and well-being—with a focus on equity. ELCCF's enhanced focus on gender equality builds on our legacy of funding girls' education and leadership programs, and emphasizes elevating women's power, agency, and leadership at all levels.

Our flagship social impact programs underpin our global social investment strategy. Founded in 1992 by the late Evelyn H. Lauder with the launch of the iconic Pink Ribbon, The Estée Lauder Companies' Breast Cancer Campaign (The Campaign) is our largest corporate social impact program. Together, The Campaign and ELCCF have funded more than \$108 million for lifesaving global research, education and medical services. Our groundbreaking M·A·C VIVA GLAM campaign has raised more than \$500 million since its inception in 1994 for the global fight against HIV/AIDS and its mission to support health and rights for all, with a focus on women and girls and the LGBTQIA+ community.

## CONFIDENCE IN THE FUTURE

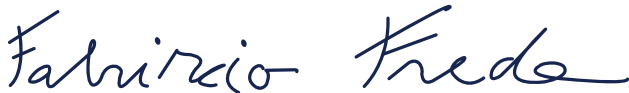
We are proud of the progress we have made as a company to advance our social impact and sustainability strategies, while navigating the ongoing complexities of COVID-19. As always, we thank our employees across our global organization and our stockholders, consumers, suppliers, and communities for their continued support and belief in The Estée Lauder Companies. With our values and our purpose continuing to guide us, our future will be bright.



*WILLIAM P. LAUDER*

Executive Chairman

The Estée Lauder Companies Inc.



*FABRIZIO FREDA*

President and Chief Executive Officer

The Estée Lauder Companies Inc.



*LETTER FROM  
NANCY MAHON*

Dear Stakeholders,

This past year has made clear that COVID-19 has fundamentally changed our world, further accelerating the need for companies to make a positive impact on the environment and in our communities. At The Estée Lauder Companies, we take that responsibility seriously, and, in fiscal 2021, we worked hard to continue developing long-term solutions to help protect our planet, drive inclusion and equity, and put people at the heart of everything we do—all while meeting our business objectives. I am filled with immense pride for our employees and our business, both of which continue to thrive despite extraordinary circumstances.

The work of social impact and sustainability only succeeds when employees lead the way as ambassadors and agents of change. Not only have our employees delivered on this charge, they've done so with resilience, tenacity, and compassion. As evidence of this, employee giving was near an all-time high in fiscal 2021. Our employees enthusiastically participated in charitable opportunities, taking advantage of Company matching programs in support of racial equity initiatives, COVID-19 and disaster relief efforts, and environmental causes.

And, they continued to deepen their knowledge of social impact and sustainability issues. Our investment in embedding and upskilling is perhaps most evident in the launch of the *Beauty Inspired, Values Driven* Interactive Learning Guide. The guide helps ensure that no matter what part of the business someone touches, or what language they speak, employees have access to information on the Company's social impact and sustainability programs and can find meaningful ways to get involved.

I've been humbled by the incredible dedication, goodwill, and skill shown by the teams and partners that fuel our company's positive impact in the world. It will take all of us—from our unique portfolio of beloved brands to our employees to our leaders at every level—to accomplish the change that we know we're capable of. Because together, we can accomplish anything.

Thank you for your support of The Estée Lauder Companies.



NANCY MAHON  
Senior Vice President, Global Corporate Citizenship and Sustainability  
The Estée Lauder Companies Inc.






In fiscal 2021, we continued to support our employees facing financial hardships due to COVID-19 through further contributions to the ELC Cares Employee Relief Fund, which was started at the beginning of the pandemic.


# SOCIAL IMPACT & SUSTAINABILITY GOALS & PROGRESS

OUR GOALS ARE AN IMPORTANT PART OF OUR STRATEGY TO EMBED SOCIAL IMPACT AND SUSTAINABILITY INTO BUSINESS OPERATIONS. BELOW IS PROGRESS TOWARD OUR GOALS AS OF JUNE 30, 2021.

*Please read about our Racial Equity and Gender Equality commitments in the Inclusion, Diversity & Equity chapter, starting on page 32.*

 TARGET MET  ON TRACK

GOAL <sup>1</sup>	FY21 PROGRESS	TARGET	PROGRESS NOTES	STATUS	
<b>SUSTAINABILITY</b>					
<i>Climate and Energy</i>	Reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions 50% by 2030 from a 2018 base year. <sup>2,3</sup>	59% Scope 1 and 2 reduction	50% reduction (FY 2030 target)	In fiscal 2021, we continued to make progress towards our 2030 target through a portfolio of climate solutions. See pp. 56-63 for details.	
	Reduce Scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution and business travel 60% per unit revenue by 2030 from a 2018 base year. <sup>2,4</sup>	Fiscal 2021 data available in calendar year 2022	60% per unit revenue (FY 2030 target)	In fiscal 2021, we engaged with suppliers through CDP Supply Chain and established an internal governance structure to oversee emissions reduction. See p. 64 for details.	
	In fiscal 2020 and fiscal 2021, we achieved Net Zero and sourced 100% renewable electricity globally for our direct operations, reaching the target we set on joining RE100. <sup>5</sup>				
<i>Responsible Sourcing</i>	As part of our continuous efforts to address issues that may exist within complex supply chains, by 2025 we will have identified sensitive ingredient supply chains and developed robust biodiversity and social action plans for them.	We have identified a number of ingredients as priorities and have developed and are implementing biodiversity and social action plans (please see pp. 68-77 for details). As part of our ongoing review, we will continue to develop and implement action plans as per our prioritization process.			
	By 2025, at least 90% of our palm-based ingredients <sup>6</sup> (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains.	71% (calendar year 2020)	90%	In total, 100% of our palm-based ingredients <sup>6</sup> are certified under one of RSPO's four certification types: Mass Balance, Identity Preserved, Segregated, or Book & Claim.	

1. "By 20XX" means by the end of calendar year 20XX, unless otherwise noted.
2. For SBT goals, the base year is fiscal 2018 and completion year is fiscal 2030.
3. Excludes brands acquired by ELC during or after fiscal 2021.
4. Excludes brands acquired by ELC during or after fiscal 2020 and other acquisitions made prior thereto that have not yet been integrated into the relevant ELC systems.
5. ELC joined the RE100 campaign in 2017. Please see [www.there100.org](http://www.there100.org)  for more information.
6. Excludes palm-based ingredients not directly procured by ELC, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.

GOAL <sup>1</sup>	FY21 PROGRESS	TARGET	PROGRESS NOTES	STATUS
<b>SUSTAINABILITY</b> <i>(continued)</i>				
<i>Packaging</i> <sup>7</sup>	By 2025, 75-100% of our packaging will be recyclable, refillable, reusable, recycled, or recoverable.	59%	75-100%	
	We will increase the amount of post-consumer recycled (PCR) material in our packaging by up to 50% by 2025, from a fiscal 2019 baseline. <sup>8</sup>	73% increase, equal to 15% PCR	50% increase, equal to 13% PCR	We have achieved this goal. The amount of PCR material in our packaging is 15% as of the end of fiscal 2021.
	By 2025, increase the amount of post-consumer recycled (PCR) material in our packaging to 25% or more.	15% PCR	≥ 25%	Having achieved our original PCR goal ahead of schedule, we have now set a more ambitious goal. <span style="float: right;">New goal</span>
	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.	89%	100%	
	By 2030, reduce the amount of virgin petroleum plastic in our packaging to 50% or less.	New goal	≤ 50%	<span style="float: right;">New goal</span>

<i>Ingredient Transparency</i>	We will develop a glossary of key ingredients that includes descriptions of the ingredients' purpose and will make this information available online by 2025.	Eleven of our brands—Aveda, Bobbi Brown, Bumble and bumble, Clinique, Estée Lauder, Editions de Parfums Frédéric Malle, GlamGlow, La Mer, M·A·C, Origins, Smashbox—have posted glossaries of key ingredients on their websites.	
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**SOCIAL INVESTMENTS**

	Each brand <sup>9</sup> will focus on and support at least one social or environmental cause by 2025.	95%	100%	Our brands identify and support causes that are meaningful to them and resonate with their individual brand identities.
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**EMPLOYEE ENGAGEMENT**

<i>Employee Safety</i>	We will drive safety to continue decreasing the total incident rate <sup>10</sup> to ensure continued world class-leading levels, with a goal of 0.15 by 2025.	0.18	0.15	
<i>Employee Engagement</i>	By 2025, we will engage 50% of eligible employees in regional, brand, or local volunteerism and giving programs such as ELC Good Works, The Breast Cancer Campaign, and the M·A·C Global Volunteer program.	19% <sup>11</sup>	50%	In fiscal 2021, ELC Good Works expanded to 17 additional markets globally and now includes 19 markets in total. <sup>12</sup>

7. Excludes brands acquired by ELC during or after fiscal 2020.

8. Fiscal 2019 baseline = 8.7% PCR material in our packaging.

9. For purposes of this metric the number of brands is 22. This number excludes brands acquired by ELC during or after fiscal 2020 and certain licensed brands for which ELC has determined that it will cease to be the licensee.

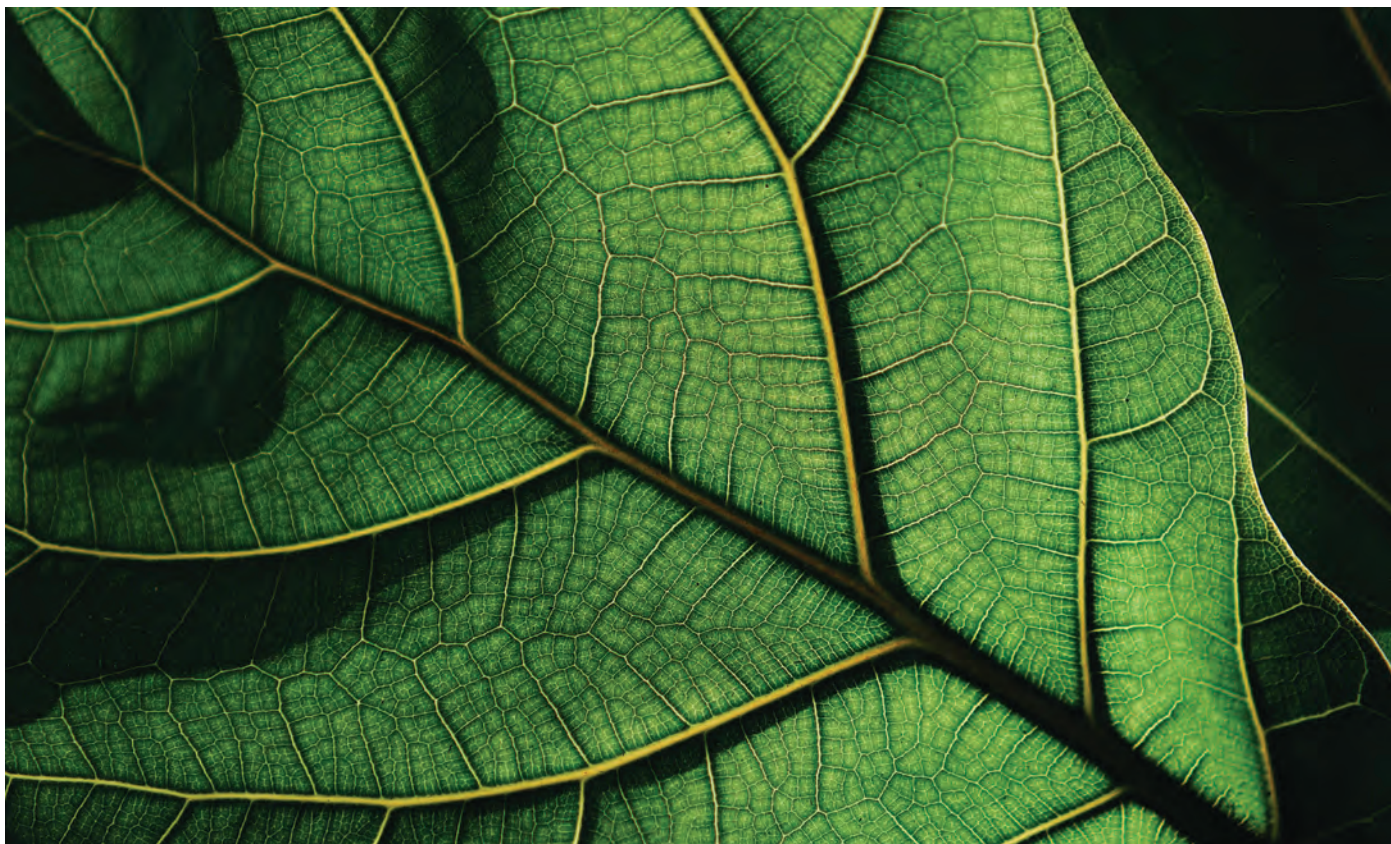
10. Total incident rate is the number of OSHA recordable incidents per 100 workers. Excludes brands acquired by ELC during or after fiscal 2020.

11. In fiscal 2021, the COVID-19 pandemic continued to negatively impact volunteerism rates due to restrictions on assembly.

12. Metrics reflect information self-reported to ELC Good Works, the Company's internal platform used to report employee volunteerism, employee monetary donations, and ELC charitable matching gifts. In September 2020 (fiscal 2021), ELC Good Works expanded to 17 markets outside the United States and the United Kingdom.

During fiscal 2021, ELC Good Works was available to eligible employees in 19 markets globally. "Eligible employees" are those who meet certain criteria, which varies by market, and have access to ELC Good Works. Excludes brands acquired by ELC during or after fiscal 2020. For additional information, see [Management Assertion](#).

# OUR COMMITMENT TO SOCIAL IMPACT & SUSTAINABILITY



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THE ESTÉE LAUDER COMPANIES IS THE LEADING GLOBAL HOUSE OF PRESTIGE BEAUTY. AS A *BEAUTY INSPIRED, VALUES DRIVEN* BUSINESS, WE VALUE AND PROMOTE INCLUSION, DIVERSITY, AND EQUITY, SEEKING TO EMBED SUSTAINABILITY DEEPLY WITHIN OUR BUSINESS, AS WE POSITIVELY IMPACT EVERYONE WE TOUCH. WE ARE PROUD OF THE OVERALL PROGRESS WE HAVE MADE, WHILE RECOGNIZING THAT WE HAVE MORE WORK TO DO.

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Our commitments to social impact and sustainability help drive innovation, growth, and efficiency across the business and within our brand portfolio. Our social impact and sustainability goals are designed to link the Company's commitments and business value creation.

# MANAGING FOR THE LONG TERM

We manage our business for the long term. Family ownership allows The Estée Lauder Companies to be guided by the principle of patient capital. Our Company's long-term, strategic approach helps set our direction by regularly looking out 10 years into the future to inform our continuous transformation—in order to best position us for continued growth. Social impact and sustainability forms one of the Company's key strategic pillars, as guided by our values. Our three-year Corporate Strategy reaffirms our commitment to achieving our publicly stated goals and amplifying our ESG impact.

We incorporate sustainable practices, methodologies, and design into our brands, regions, functions, and channels. For example, by integrating sustainable practices across the product life cycle, we can drive environmental performance and add value for our brands. One example is the creation of sustainability stage gates in our new product launch process in fiscal 2021. With this approach, we plan to efficiently weave sustainability into the innovation process across product development, package development, marketing, and brand leadership, underscoring our commitment to embed sustainability across our business.

We take a similar holistic approach to embedding equity and social impact across our business. During fiscal 2021, we elevated our investment in, awareness, and attention to racial and social equity and gender equality by establishing the Equity and Engagement Center of Excellence. Read more on page 33.

We believe that effectively managing our social impact and sustainability work will be an important part of our future success. These efforts are led by our Executive Chairman and our President and Chief Executive Officer (CEO) and overseen by the Board of Directors, particularly the Nominating and ESG Committee. Senior leaders from Finance; Global Corporate Citizenship and Sustainability (GCCS); Human Resources; Inclusion, Diversity, and Equity (ID&E); Legal; Research & Development; and Supply Chain, as well as representatives across brands, regions, channels, and functions, drive our social impact and sustainability strategic initiatives and progress toward goals and commitments.

Our GCCS function is responsible for managing our social impact and sustainability initiatives. The function is led by the Senior Vice President (SVP) of GCCS, who reports to our Executive Chairman and our President and CEO. The SVP directs a dedicated team that leads corporate-wide sustainability strategy; social impact efforts; and strategic planning and communications around social impact and sustainability, including supporting brand-and region-led sustainability strategies.



## DRIVING INTEGRATION ACROSS THE BUSINESS

Our brands and regions play a vital role in integrating and embedding social impact and sustainability across our business. Each of the brands in our well-diversified portfolio has embraced our commitment to be *Beauty Inspired, Values Driven* by developing its own unique social impact and sustainability strategy. Working hand in hand with the corporate team, our brands drive awareness with consumers and contribute to our corporate social impact and sustainability goals.

Our regional teams support our ongoing commitment to social impact and sustainability by incorporating global best practices and translating enterprise-level targets and initiatives for local impact. Our regional organizations continue to invest in new resources to drive social impact and sustainability efforts in their markets, closely collaborating with our global team.

Our incredible employees are at the heart of these efforts. Their dedication and passion underscore everything we do and help us to maintain the momentum needed to deliver positive impact.



## CORPORATE GOVERNANCE AND EXECUTIVE COMPENSATION

Our Board of Directors (the “Board”) has developed corporate governance practices to help it fulfill its responsibilities to stockholders to provide general direction and oversight of the management of the Company’s business and affairs. Our Board is led by our Executive Chairman, who is a member of the Lauder family. In addition, we have an independent director who serves as our Presiding Director. A majority of the directors on our Board are independent. As of the end of fiscal 2021, there were 16 directors on our Board, comprising: (i) our CEO; (ii) 11 nonemployee directors (10 of them independent); and (iii) four directors who are members of the Lauder family, including our Executive Chairman.

The Board has established the following standing Board committees: the Nominating and ESG Committee; the Compensation Committee, which includes the Stock Plan Subcommittee; and the Audit Committee. *For more information about our Board and committees, please visit the Governance section on our website.* [🔗](#)

Our Nominating and ESG Committee has oversight responsibility for our company’s environmental, social, and governance activities and practices, including citizenship and sustainability matters. The SVP GCCS attends meetings of the Nominating and ESG Committee and provides updates on topics such as climate, progress toward goals, and other related matters, as appropriate. In addition, the SVP GCCS periodically presents at Board meetings.

Our Compensation Committee establishes and approves compensation plans and arrangements with respect to the Company’s executive officers and administers the Company’s executive annual incentive plan. The Stock Plan Subcommittee has authority over decisions regarding awards to executive officers under the Company’s share incentive plan. Our compensation program is designed to attract and retain world-class talent and to motivate achievement of both our long-term and short-term goals. We believe that the design and governance of our compensation program supports the business strategy and the overall goal to continue sustainable growth of net sales, profitability, and return on invested capital on a long-term basis.

Given our history, ownership structure, and strategy, we follow principles of long-term stewardship and patient capital, and our compensation approach reflects and supports this approach. Consistent with our culture and our compensation philosophy and objectives, our combination of compensation elements is intended to help drive and promote strong, balanced, and sustainable corporate performance.

We evaluate the performance of our employees, including our executives, under social impact and sustainability goals holistically, within the framework of our corporate strategy, as an input into compensation decisions. In particular, we incorporate specific goals tied to the Company’s broader social impact and sustainability strategy into the business goals for top executives, and compensation decisions are made based on their achievement. For example, such business goals were included in the fiscal 2021 Executive Annual Incentive Plan program and were used as an input into determining fiscal 2021 equity grants. The fiscal 2021 business goals for top executives encompassed multiple strategic focus areas concerning social impact and sustainability matters. Specifically, the fiscal 2021 business goals for certain executives incorporate ID&E matters; global talent development and retention; and progress in connection with Company sustainability objectives.

*Additional information on our governance practices and information about executive compensation matters can be found in our 2021 Proxy Statement.* [🔗](#)



Our offices in Tokyo, Japan



## ETHICS

We promote a culture of uncompromising ethics and integrity. Our standards help us uphold the principles and ideals that make us a global leader in prestige beauty. We expect our employees and business partners to conduct business in compliance with applicable laws and regulations and with the high ethical standards and policies set forth in our *Code of Conduct* [☑](#) (“Code”) and *Supplier Code of Conduct*. [☑](#)

Our Code helps to protect our reputation as an ethical corporate citizen. Newly hired employees are required to sign an acknowledgement that they have received, read, and will comply with the Code. In addition, annually, employees above certain levels are required to complete Ethics and Anti-Bribery and Corruption trainings and acknowledge the Code. From time to time, we conduct trainings on the Code for groups of our employees.

Employees are expected to raise questions or concerns about conduct that may be inconsistent with the law, the Code, or other policies to their supervisor, Human Resources contact, the Global Ethics team, and through The Estée Lauder Companies’ Integrity Helpline. Employees are able to communicate and report suspected violations confidentially and anonymously, where permitted by law. Employees can raise questions or concerns by calling the toll-free number, visiting the Integrity Helpline website, or sending a text message (text communication available in North America only). Additionally, questions or concerns related to questionable accounting, internal controls, or auditing matters can also be raised directly to the Audit Committee of the Board of Directors. We have standard operating procedures to manage reports to ensure consistent investigation and response procedures across incident types and reporting channels. Serious violations are reviewed by the Company’s Ethics and Compliance Committee, which oversees implementation of the Code.

The Ethics and Compliance Committee reports to the Audit Committee on a regular basis regarding the effectiveness of our Global Ethics Program. The Company’s Internal Audit function periodically reviews business unit operations using a risk-based audit plan. Internal Audit regularly assesses the effectiveness of the Company’s Ethics and Anti-Bribery and Corruption programs through routine and targeted audits of business functions and/or sales affiliates.

## OUR VIEW ON HUMAN RIGHTS

The United Nations Guiding Principles on Business and Human Rights provide a framework to help us identify and prioritize our human rights risks and impacts. Proactive human rights due diligence is an ongoing process, and we have policies, processes, training, and systems in place to identify, assess, monitor, and mitigate or eliminate actual or potential human rights impacts.

Our Code of Conduct outlines our expectations for promoting a respectful workplace, engaging in ethical business practice, and operating in a socially responsible and fair manner. We require our employees, business partners, service providers, and suppliers to operate in compliance with all applicable laws, including, but not limited to, employment laws pertaining to child labor, minimum wage, overtime compensation, hiring, and occupational safety.

Our Supplier Code of Conduct sets forth the basic requirements we expect of suppliers, including vendors, service providers, independent contractors, and consultants, as a condition of doing business with our company. It is based on internationally recognized standards, including the Universal Declaration of Human Rights and International Labour Organization’s Conventions. *Read more about our Supplier Code of Conduct on page 69.*



## PRIORITY FOCUS AREAS FOR SOCIAL IMPACT AND SUSTAINABILITY

As part of our strategic planning process, we continually evaluate areas of risk and opportunity for our business. In fiscal 2021, we completed a comprehensive, data-driven analysis to define, validate, and prioritize our social impact and sustainability focus areas. Specifically, we conducted a “Big Data” assessment of the global regulatory, corporate disclosure, and media environments as related to topics under consideration. We also evaluated stakeholder interest through desk research and direct engagement, including extensive internal alignment and outreach to external stakeholders. As part of the assessment, we considered each matter’s relevance to our business strategy and objectives; importance to key stakeholders; and potential impact on the environment, society, and economy.

The priority focus areas analysis is a point-in-time evaluation. Even as many of our previously highly ranked issues remained constant, we saw a significant elevation for the issues of inclusion, diversity, and equity and employee health and safety. These changes reflected the racial and social justice movements in 2020 and the impacts of the COVID-19 pandemic. Climate change also increased in importance, especially for external stakeholders. Transparency and consumer citizenship and sustainability needs emerged as additional priorities, reflecting demand for greater disclosure and access to environmental and social information.

Our priority focus areas are reflected in our corporate goals and commitments and are integrated into our strategic planning and risk management processes. We map our priority focus areas to related Global Reporting Initiative (GRI) Standards. Throughout this report, we provide a closer look at our approach and performance related to these topics.

FY21 PRIORITY FOCUS AREAS	GRI STANDARDS
CLIMATE CHANGE AND GHGS	GRI 305: Emissions GRI 201: Climate Risk
PRODUCT QUALITY AND SAFETY <i>(including ingredient transparency)</i>	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
PRODUCT AND PACKAGING DESIGN <i>(including green chemistry)</i>	GRI 301: Materials
INCLUSION, DIVERSITY & EQUITY	GRI 401: Employment GRI 405: Diversity and Equal Opportunity
EMPLOYEE HEALTH AND SAFETY	GRI 403: Occupational Health and Safety
RESPONSIBLE SOURCING	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment
TRANSPARENCY	GRI 102: General Disclosures
CONSUMER SOCIAL IMPACT AND SUSTAINABILITY NEEDS	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
COMMUNITY ENGAGEMENT <i>(including social investments)</i>	GRI 201: Community Investments

## STAKEHOLDER ENGAGEMENT

We seek to build productive relationships with our key stakeholders, including employees, consumers, investors, retailers, nongovernmental organizations (NGOs), suppliers, regulators, policymakers, 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.

The types of stakeholder engagements and topics discussed concerning social impact and sustainability matters vary widely. For example, we engage with our employees in various ways including: direct interaction with managers or through Human Resources business partners; our company’s intranet; social media; town halls, special presentations, and learning events; and employee engagement and pulse surveys. Topics covered during employee engagement include ID&E, benefits, learning and development, and work-life structure, among others.






Our consumer engagements include: direct interaction online and in store settings; consumer feedback portals, including Consumer Care; satisfaction surveys; and social media and influencer channels. Consumer interest in social impact and sustainability includes product information; ingredient transparency; sourcing practices; and animal testing.

We engage with our investors in a number of ways. 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 social impact and sustainability commitments and initiatives. In fiscal 2021, we enhanced our investor outreach by expanding dialogue around our progress in social impact and sustainability. We also conduct an annual ESG investor perception study to listen and learn as we continue delivering value to our investors.

## OUR COMMITMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) are a voluntary framework of 17 global goals and targets meant to accelerate advancement toward a more sustainable world. Since they were issued in 2015, they have become a common touchstone for governments, the private sector, and civil society in tracking sustainability progress.

WE PRIMARILY FOCUS ON THE FIVE SDGs WHERE WE BELIEVE WE CAN HAVE THE MOST IMPACT TO HELP DELIVER ON THE VISION OF A MORE SUSTAINABLE WORLD:

	<p><i>SDG3. GOOD HEALTH AND WELL-BEING:</i></p> <ul style="list-style-type: none"> <li>• Ensure Healthy Lives and Promote Well-Being for All.</li> <li>• Please see the Social Investments section on page 42 for more details.</li> </ul>
	<p><i>SDG5. GENDER EQUALITY:</i></p> <ul style="list-style-type: none"> <li>• Achieve Gender Equality and Empower All Women and Girls.</li> <li>• Please see the Employee Experience section on page 20 and the Inclusion, Diversity &amp; Equity section on page 32 for more details.</li> </ul>
	<p><i>SDG10. REDUCED INEQUALITIES:</i></p> <ul style="list-style-type: none"> <li>• Reduce Inequality Within and Among Countries.</li> <li>• Please see the Inclusion, Diversity &amp; Equity section on page 32 for more details.</li> </ul>
	<p><i>SDG12. RESPONSIBLE CONSUMPTION AND PRODUCTION:</i></p> <ul style="list-style-type: none"> <li>• Ensure Sustainable Consumption and Production Patterns.</li> <li>• Please see the Responsible Sourcing section on page 68, the Product Formulation section on page 78, and the Packaging section on page 86 for more details.</li> </ul>
	<p><i>SDG13. CLIMATE ACTION:</i></p> <ul style="list-style-type: none"> <li>• Take Urgent Action to Combat Climate Change and Its Impacts.</li> <li>• Please see the Climate and Environment section on page 54 for more details.</li> </ul>

SOCIAL IMPACT

# *EMPLOYEE EXPERIENCE*

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WE SEEK TO CREATE A WORKPLACE THAT IS SAFE, COLLABORATIVE, INCLUSIVE, COMPASSIONATE, AND MOTIVATING, WHERE OUR EMPLOYEES CAN THRIVE WHILE HELPING DRIVE OUR BUSINESS FORWARD.

Our long-standing values—respect for the individual, uncompromising ethics and integrity, generosity of spirit, and fearless persistence—underpin the employee experience. We focus on empowering our team members and on challenging them to grow through personal and professional development opportunities.



## HEALTH AND SAFETY

We are a people-first company and strive to provide a healthy and safe workplace for our employees. We are committed to strengthening our safety culture through continuous improvement and innovation and seek to be an industry leader with regard to workplace safety.

# OUR MANAGEMENT APPROACH

We adhere to rigorous safety policies and practices and reinforce our safety messages through consistent communication and engagement with employees. We promote a proactive and collaborative approach to safety and compliance to help us reach our ultimate goal of zero workplace incidents.

Safety is overseen by the Executive Vice President, Global Supply Chain, and managed by the Senior Vice President, Environment, Health, Safety + Sustainability (EHS+S). There is a global EHS+S team covering supply chain, research and development (R&D), retail, and offices, with facility-level EHS+S managers reporting into the global team.

Our Environmental Health and Safety Policy establishes the standard we require of our workplaces for all employees, contractors, and visitors. Our global EHS+S management team monitors and implements this policy throughout our manufacturing, distribution, and R&D sites. The policy is reviewed on an annual basis, and sites must adopt and sign off on the policy each year.

We have a global procedure for hazard and risk assessment that we require all our sites to adhere to and implement. We include safety in our internal audits, which occur at each facility approximately once every two years. New facilities that are the result of acquisitions are assessed for risk, and plans are made to integrate those operations within our existing safety policies and protocols.

As part of our Environmental and Safety Management System, we have a process in place to investigate and report workplace incidents, including injuries, property damage, spills, and near misses. The Environmental and Safety Management System also defines criteria for serious accidents and incidents that could result in a high-consequence injury. We comply with legal requirements with regard to whistleblower protections around employees' rights to remove themselves from, and report on, what they believe are unsafe conditions.

Safety incident reports are entered into a central reporting system where a detailed root cause analysis is documented, and corrective actions are identified and tracked to completion. We also have a process where safety alerts and best practices are issued globally for sites to take preventative actions.

Our safety program is fully integrated into our environmental management system, which in turn has been certified to ISO 14001 standards at our manufacturing sites.\* As part of maintaining our certification, we continuously improve our environmental and safety management and performance.

## MANAGING THE CONTINUED IMPACTS OF COVID-19

From the start of the COVID-19 pandemic, we adjusted our operations and developed global protocols and guidelines to protect the health and safety of our people and our consumers. For employees working in person, we instituted rigorous measures to minimize the risk of exposure, including enhanced cleaning, sanitation, and hygiene protocols; temperature monitoring and face mask requirements; along with social/physical distancing guidelines and other provisions. These measures will remain part of our standard operating procedures for as long as the level of risk calls for them.

In fiscal 2021, we implemented additional layers of protection to further support our employees, such as the roll-out of personal protective equipment (PPE) minimum standards including face shields and glasses; COVID-19 testing capabilities at more than 20 sites across North America and EMEA; installing barriers and applying other physical distancing measures; implementing a daily work readiness questionnaire; and incorporating improvements to our HVAC systems at our manufacturing and distribution plants. Across the globe, our employees used more than 5 million masks to protect themselves and others while working on-site.

We worked diligently to reopen our stores in ways reflective of our values of safety and service to both our employees and our consumers. We also continued to leverage technology to reinvent our workplace to accommodate thousands of employees working remotely and instituted guidelines for phased office reopening across our global regions.

Our actions were informed by the continued guidance of our Medical Advisory Board. Convened in April 2020 at the start of the pandemic, the board is comprised of leading physicians and health professionals with expertise across a variety of disciplines. The Medical Advisory Board works closely with our internal Health and Safety Team and Company leaders to guide our health- and safety-related efforts.

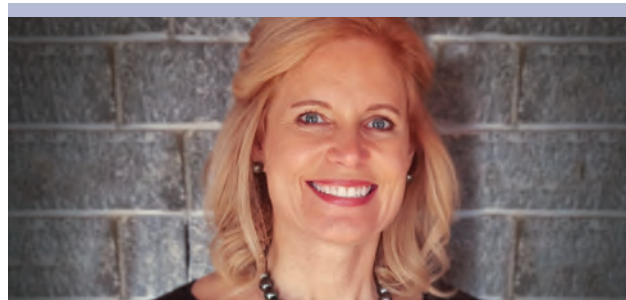
### PROGRESS TOWARD OUR GOALS

#### GOAL:

*We will drive safety to continue decreasing the total incident rate\* to ensure continued world class-leading levels, with a goal of 0.15 by the end of calendar year 2025.*

We achieved a total incident rate of 0.18 in fiscal 2021, a decrease from 0.23 in fiscal 2020.

\*Total incident rate is the number of OSHA recordable incidents per 100 workers. Excludes brands acquired by ELC during or after fiscal 2020.



“  
*ELC’s ability to adapt its workplaces around the world to the ‘new normal’ of COVID-19 has been exceptional. The Company has implemented robust guidelines for physical distancing, hygiene, and mask-wearing for populations in supply chain, retail, and offices, but, more importantly, has created these guidelines with a flexibility to adapt given changing local restrictions and public health guidance.*  
”

DR. JESSICA HERZSTEIN  
Medical Advisory Board

## ENGAGING EMPLOYEES IN PRIORITIZING SAFETY

Our employees are our best safety ambassadors. We encourage them to take proactive measures to ensure safety protocols are followed across our sites, including manufacturing, distribution, R&D, retail, and office locations. Our global EHS+S teams run campaigns throughout the year to keep specific safety initiatives front of mind.

Our Behavior Based Safety (BBS) program reinforces our *actively caring* safety culture through employee-led initiatives and communications around best practices. In fiscal 2021, we had 42 BBS Steering Teams across 24 facilities in 11 countries. These teams supported more than 4,800 employees, completed more than 3,600 BBS observations, and developed and implemented more than 520 projects to improve safety and increase awareness for safe behaviors at their sites.

In fiscal 2021, we used a third-party to assess the efficacy of the BBS program. More than 3,300 employees (83% participation) completed an 18-item survey, and 124 separate interviews were conducted virtually in 26 locations. Overall, the assessment showed that the BBS process is functioning well, and it is an integral component of the Company’s overall safety culture. Recommendations included strengthening the program by increasing employee and management engagement with BBS activities. Specific actions have already been introduced in the FY22 BBS Strategy to address communication, training, and recognition opportunities.

## HEALTH AND SAFETY TRAINING

We seek to keep our workforce up-to-date on safety policies, procedures, and expectations. In fiscal 2021, we made important updates and additions to our curriculum:

### BBS MANAGEMENT AWARENESS TRAINING:

To further support the BBS program, the BBS Management Awareness training course was revised and made available online for employees in management roles.

### EHS FUNDAMENTALS FOR LEADERSHIP:

We launched a new online EHS Fundamentals training course that provides employees in a supervisory or management role with a better understanding of the Company's EHS+S policies and practices.

## SAFETY IN ACTION

### SUPPLY CHAIN

The Estée Lauder Companies manufacturing\* sites have attained ISO 14001 certification, meeting rigorous standards in support of sustainability efforts. In addition to adhering to our Company's environmental policies, our manufacturing, packaging, and distribution facilities have implemented our Environmental Safety Management System.

In fiscal 2021, the ISO 14001 status of the entire Company and three sites were recertified: Blaine (Minnesota) Manufacturing; Whitman Laboratories (United Kingdom); and Oevel (Belgium) Manufacturing. Additionally, five Environmental and Safety System Assessment audits were completed for the Blaine Manufacturing; Melville (New York) Manufacturing; Oevel Manufacturing; Whitman Laboratories; and Lachen (Switzerland) Manufacturing facilities.

We installed new fleet management systems on numerous powered industrial trucks (e.g., forklifts) across our manufacturing and distribution sites in fiscal 2021. These systems improve safety for both drivers and pedestrians while also increasing productivity using state-of-the-art technology. Additionally, gates and guardrails were installed in many sites to further protect pedestrians in work areas where powered industrial trucks are present.

### RETAIL

"Safety Crowns" is an awards program that recognizes our freestanding North American stores that meet and exceed certain safety metrics over a designated time period. Metrics include completing monthly safety checklists, sharing monthly safety topics with on-site employees, and providing feedback on safety to the corporate safety team.

In addition, our employees continue to proactively lead on safety issues in their workplaces. In some of our retail stores, field leaders have organized a safety committee to provide guidance to staff on safety policies and procedures, regulated waste, and training compliance.

### LABORATORIES

In fiscal 2021, 75 employees completed the Safety Training Series for Lab Safety Reps program and earned an ELC-Certified Lab Safety Representative certificate. A total of 11 Lab Safety courses are available to lab employees through our internal learning platform.

IN FISCAL 2021:

### ZERO RECORDABLE ACCIDENTS:

Achieved zero recordable accidents across many of our facilities, including six manufacturing sites, 19 distribution centers, and six Research and Development (R&D) sites

### 2020 NATIONAL SAFETY COUNCIL AWARDS:

Received 68 National Safety Awards in three categories, across 36 supply chain and R&D facilities and 14 global brand operations, with some facilities receiving multiple awards

### TRAINED 8,504 EMPLOYEES:

Trained 8,504 employees on various safety topics including ergonomic awareness, lab safety, and introduction to safety leadership

### IDENTIFYING UNSAFE CONDITIONS:

Received 4,936 Take Action! cards identifying unsafe conditions or near-miss events



### SAFETY CAMPAIGNS PROMOTE ACTIVE CARING

Our global EHS+S teams run campaigns throughout the year to highlight specific safety initiatives for employees. Examples include:

- Monthly tip sheets were created and delivered to Global Retail employees highlighting safety topics such as fire preparedness, ladder and step stool safety, and avoidance of "struck by" injuries.
- During ergonomic awareness month in October, safety tips were shared throughout our various working environments.
- For Safety Month in June, safety resources were promoted through various channels. We also invited all employees to share a caring moment or a safety tip via a dedicated email account.





ELC Employees at the Black, Brown & Beyond: The Beauty of Our Diaspora, NOBLE's 2020 Black History Month Capstone Event.

## EMPLOYEE ENGAGEMENT

An engaged workforce—one that feels heard, supported, and seen—allows us to deliver on our promise of High-Touch execution. We are committed to maintaining open dialogue with our employees and to supporting them in both their professional and personal lives. We seek to provide each employee with the tools they need to succeed and thrive in their roles and we continually assess our practices and policies as the workplace evolves.

## LISTENING TO EMPLOYEES

We place a premium on staying connected to our employees and understanding their needs and concerns. We use surveys as one mechanism to measure engagement levels across the organization and gather valuable feedback. Key topics covered during employee engagement include inclusion, diversity, and equity (ID&E); learning and development; work-life structure; and employee benefits. Based on our review of employee survey results, as well as inputs gathered via other employee interactions, we implement action plans to enhance employee satisfaction and facilitate alignment with our overall human capital strategy.

We deployed an Enterprise Pulse Survey in January 2021. The survey was designed to help us better understand how the events of 2020 impacted employee engagement and well-being and to inform how we can best support our employees in the future. Despite the challenges of fiscal 2021, overall engagement increased compared to employee surveys conducted in previous years.

*Results showed positive change throughout our organization regarding:*

- providing employees with resources to support their needs
- making employees feel recognized
- communicating with employees and keeping them informed
- dedication to social impact and sustainability

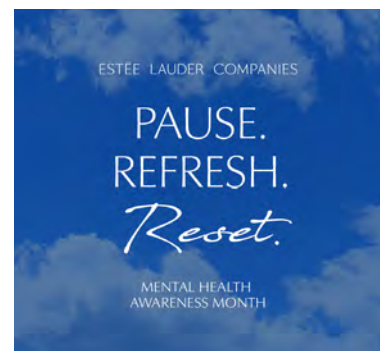
We will continue to prioritize greater enhancement of work-life balance; better linking of organizational priorities and goals to individual performance; and ongoing focus on employee growth and development based on employee responses to the survey.

## CONTINUING TO EVOLVE IN RESPONSE TO COVID-19

Our employee engagement efforts have taken on increased importance during the global pandemic. Throughout the year, we distributed numerous internal communications and hosted 18 virtual Town Halls with our Medical Advisory Board across brands, regions, and functions to answer questions, provide support, and share resources. In fiscal 2021, we also launched a new initiative to evolve the way we work and enhance work-life balance and productivity. As part of this effort, we introduced a set of *How We Work Together* principles and Meeting Effectiveness Guidelines to lay the foundation for our “future of work” approach.

We dedicated our annual Mental Health Awareness Month (May 2021) to raising the profile of several initiatives targeted to help our employees balance work-life and overall well-being. Included were: Global Reset Day, a global day off in support of employees; staging special events and programs across our regions in support of emotional wellness and community; and raising awareness of assistance programs that are available to our employees to improve mental health, including access to counseling and crisis services.

We continue to be guided by our values of treating our employees with the utmost respect and fairness and honoring our civic responsibilities to the global communities we serve, while remaining focused on maintaining our company’s long-term growth. Despite the prudent financial measures we took in response to COVID-19 in fiscal 2021, mitigating the long-term impact of the pandemic required us to make some difficult decisions, including furloughing and laying off some members of our workforce. We have endeavored to manage through this time with sensitivity and care.



### CONNECTING THROUGH THE MYELC PLATFORM

In fiscal 2021, we modernized MyELC, our internal employee website, to transform and enhance the digital workplace experience for employees worldwide. The new site encourages employee engagement while serving as a one-stop-shop for important Company news and information and fostering greater collaboration and productivity. Employees can use social-media-like features to “like” and comment on postings, personalize their news, and collaborate in communities related to their role, function or region. They can also access content related to priority focus areas including Inclusion, Diversity & Equity; resources such as our *Beauty Inspired, Values Driven* Interactive Learning Guide; and key applications to do their jobs effectively.

## EMPLOYEE BENEFITS

We offer compelling and competitive compensation packages to attract, motivate, and retain world-class talent, and we are committed to fair and equitable pay across the organization. Benefit packages may include pension and post-retirement benefit plans, health and wellness benefits, flexible working arrangements, parental (maternal and paternal) leave, adoption assistance, and education-related benefits, which may vary by country. Employee compensation is based on specific circumstances, including role and experience, geographic location, and performance. In addition to base pay, we offer annual incentive awards and equity awards for employees at certain job grades.

Family-related benefits for eligible U.S. employees include 20 weeks of paid parental leave, a back-to-work flexibility program, and an assistance program to reimburse employees for up to \$10,000 of qualified expenses related to the adoption of a child—regardless of an employee’s gender, marital status, or sexual orientation. As of fiscal 2020, U.K. and Ireland-based employees also receive 20 weeks of fully paid parental leave. Education-related benefits for eligible U.S. employees include a student loan contribution program, offering up to \$100 per month toward eligible loans with a lifetime maximum of \$10,000, and a tuition-reimbursement program, which offers reimbursement for pre-approved academic courses.

In fiscal 2021, we continued to respond to the COVID-19 pandemic with expanded benefits to provide support and assistance during critical times and to help with everyday life challenges. These benefits included, for example, free short-term counseling through programs such as Work Life Connections, an employee and family assistance program that was expanded to a total of 51 countries; additional days of subsidized family care; and pandemic-related support services for employees and family members in certain countries.





Celebrating Pride virtually with the wELCome ERG

## EMPLOYEE RESOURCE GROUPS

The Estée Lauder Companies' Employee Resource Groups (ERGs) were established to foster a culture of inclusion and create a work environment where employees can feel comfortable and empowered to share and exchange ideas. ERGs not only offer support, networking, and community-building, but also expand the possibilities for our employees to engage and collaborate on creative approaches to business opportunities. Our ERGs and their global chapters are inclusive and open for all employees to join, inspired by the belief that "you don't have to be to belong."

Despite the global pandemic, in fiscal 2021, we continued to see increased participation in ERGs, with 43 active ERGs worldwide in 12 countries and with membership of more than 5,000 employees globally. ERGs pivoted to fully virtual programming that engaged audiences on a global level.

As an organization, we leveraged the power and impact of ERGs while continuing to expand the global network. Six new ERGs were launched in fiscal 2021, including wELCome India and wELCome Brazil, focused on supporting the LGBTQIA+ community; Women's Leadership Network (WLN) LATAM and WLN APAC, focused on advancing women throughout the organization; Kindred in the United States, focused on disabilities and mental health and wellness in the workplace; and LEAD (Leading, Empowering, Accelerating Diversity) in the United Kingdom. We also launched the Marketing ERG in July 2021, focused on bringing marketers together to deepen their passion for their chosen profession.

### WOMEN'S LEADERSHIP NETWORK

Our largest ERG is the WLN, which provides opportunities for women to better leverage and expand their resources, knowledge, and professional insights to advance personal and business successes on a global level. In fiscal 2021, WLN went truly global. After previous launches in North America, London, and Paris, WLN officially launched chapters in Latin America on International Women's Day and in Asia/Pacific during global Inclusion, Diversity & Equity Week in May 2021.

The two sub-groups of WLN, Women in Supply Chain and Women in Tech, also saw continued growth and member participation. Both networks focus on engaging, informing, and inspiring women to reach their highest potential by providing essential business tools and assets to women in male-dominated fields.



Members of the Women's Leadership Network joined together to listen to Mellody Hobson, Co-CEO and President, Ariel Investments, share insights on speaking your truth and owning your career.



## LEARNING AND DEVELOPMENT

Growing our talent is key to our success: throughout our 75-year history, our learning mindset has enabled us to keep pace with the ever-evolving needs of the industry and its workforce. We strive to create a culture of learning that supports our employees’ continuous growth and development and is reflective of the totality of the employee experience. All employees—from our recent hires to senior executives—are provided opportunities to learn, develop, and build skills, with the goal of empowering them to do their best work.

We offer formalized learning and recognize the growing importance of coaching and mentoring. We also know that on-the-job training and peer-to-peer knowledge sharing rounds out the learning landscape and helps accelerate our employees’ success.

### LEARNING BY THE NUMBERS

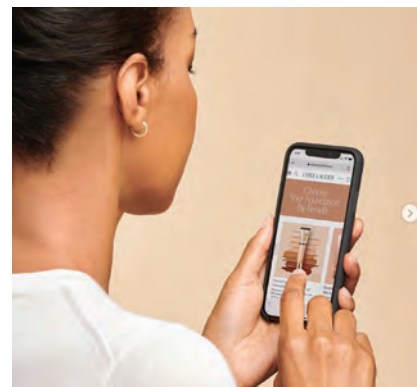
#### DIGITAL ACUMEN:

+30,000 employees trained on digital skills globally in response to the COVID-19 pandemic and the need to accelerate digital acumen across our organization.

#### E-COMMERCE ESSENTIALS:

>7,000 employees globally have taken the online program.

*BEAUTY INSPIRED, VALUES DRIVEN* INTERACTIVE LEARNING GUIDE: more than 5,000 employees viewed this learning guide, which is available in 32 languages.



## OUR APPROACH

We utilize a mix of online learning, virtual instructor-led trainings, and, where appropriate, classroom and project experiences, to help employees build core and advanced competencies, while creating value and long-term growth for our company. We couple this with a suite of mentoring opportunities for a 360-degree approach.

Our learning and development offerings are created to align with key business objectives. Areas that we have deemed critical to employee success include: data and analytics; digital skills; advanced marketing capability; accelerated omnichannel retail capability; sustainability behaviors; inclusion, diversity, and equity; and people leadership. We have also intensified our efforts to increase digital fluency, which reflects the rising importance of our online business.

In our ongoing response to COVID-19, we continue to adjust our learning offerings and delivery mechanisms to meet the shifting needs of employees who are working from home or in a hybrid environment. These changes include delivering learning experiences around subject matters such as managing remotely, mental health awareness, and building resilience during uncertain times.

## THE ELC LEARNING HUB

We now offer 100% access to digital education for all employees with the launch of our ELC Learning Hub in fiscal 2021. The platform, and its functionality capabilities, delivers on our objective to provide our employees with easy access to relevant and high-quality training. This personalized, interactive online learning tool is accessible to our global workforce, including office, retail, and manufacturing employees, and is currently available in 18 languages, with another 25 planned for early fiscal 2022.

The Learning Hub currently offers more than 18,000 learning experiences. Content highlights include programs that range from developing our future leaders to driving online capability globally. For example, the Enhanced Leadership programs offer employees a suite of immersive blended learning experiences focused on the skills needed for success to run, recover, and transform a business while navigating unprecedented circumstances. The flagship E-Commerce Essentials program is a robust, customized curriculum to build digital skills and e-commerce capabilities to drive and accelerate our online business in alignment with our changing business.

We plan to release new program features quarterly, keeping our curriculum up to date with the most relevant learning information. We will also monitor and track use and employee feedback in order to conduct ongoing analysis of the organization's learning needs.

In addition to the Learning Hub, our Brand Education teams continue to innovate and drive digital learning access and adoption by providing product, service, and artistry training to point-of-sale employees globally through their proprietary platforms.

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### LINKEDIN LEARNING

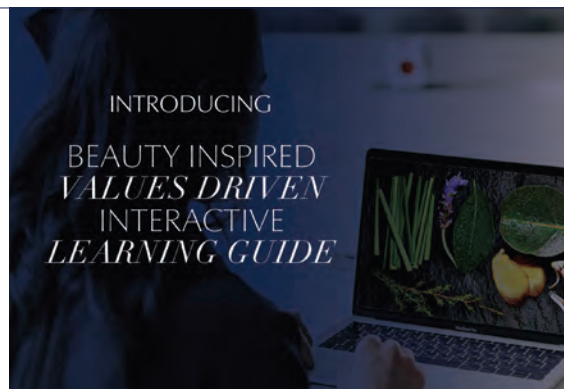
We were the first prestige beauty company to partner with LinkedIn Learning to broaden our employee learning offerings in 2018. Now, more than 13,000 employees have activated accounts and are continuously participating in digital learning initiatives on the platform.




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### *BEAUTY INSPIRED, VALUES DRIVEN* INTERACTIVE LEARNING GUIDE

As social impact and sustainability take on ever-greater importance, we are committed to embedding this work throughout the Company. In November 2020, we launched the *Beauty Inspired, Values Driven* Interactive Learning Guide, which is accessible to employees globally. The Interactive Learning Guide was designed and custom-built to take employees on a journey of discovery, engagement, and connection. Employees learn about our commitments to social impact and sustainability and can access resources in areas that are of interest to them and explore meaningful ways to get personally involved.





## LEADERSHIP DEVELOPMENT

Our employees are high performers—constantly exploring new avenues for growth and delivering value for the Company. To ensure that they develop the particular skills, knowledge, and behaviors necessary for strong leadership, we have developed a set of High-Performance Leadership Competencies (HPLCs). HPLCs are used in performance evaluations to set individual goals and guide employees in leveraging their strengths throughout their career journeys. Our President and CEO, Fabrizio Freda, further reinforces the importance of the HPLCs through “Leadership from Every Chair,” a dialogue he has with employees each year.

### DEVELOPING OUR EMPLOYEES

High performance is an integral part of our culture and the foundation for our ability to consistently deliver High-Touch services and experiences. Our corporate-wide Performance Development Plan (PDP) covers office-based employees across brands, regions, functions, and channels. The PDP provides a single structure for employees and their managers to set goals, have ongoing coaching conversations, and review performance at the end of each year.

We continue to expand Digital PDP to additional brands and affiliates and reached more than 16,500 employees in fiscal 2021. We also continue to modernize the digital tool with enhancements to improve the user experience. In addition to the ability to track, edit, and share goals, employees can provide and receive feedback.

## EXECUTIVE EDUCATION

As our model for delivering education continues to evolve, our Executive Chairman, William P. Lauder, remains committed to bringing the best academic thinking and resources to our employees. Through his leadership, we continue to offer a variety of learning opportunities—in different and evolved formats—to ensure we remain a learning organization now and into the future.

### *OUR SIGNATURE LEADERSHIP PROGRAMS*

#### CEO GLOBAL PRESIDENTIAL PROGRAM

A bespoke, High-Touch global rotation program that supports the strategic priorities within our brands, regions, functions, and channels. The program recruits a diverse group of highly talented recent graduates (BA/BS or MA/MS/MBA) and develops them through a series of curated on-the-job learning experiences, strengths-based coaching, mentorship, professional development sessions, and exposure to senior leaders during a 18- to 24-month period. The program currently includes approximately 75 participants across four global regions.



Participants in the Global Presidential Program

#### CEO GLOBAL REVERSE MENTOR PROGRAM

The CEO Global Reverse Mentor Program is a cross-functional global sharing network of junior talent that is empowered, engaged, and making an impact on the business. The program allows young talent within the Company to share valuable insights, perspectives, and connect trends to leaders' priority topics. It serves as a critical role in supporting career development and amplifies the generational aspect of ID&E across brands, regions, channels, and functions, giving Millennials / Gen Z a voice. There are currently 650+ Reverse Mentor participants, 300+ Senior Leadership participants, 40+ programs globally, and 28 participating affiliates.



Camila Dauhajre and Kenya Bryant shared their insights with WWD as part of the CEO Global Reverse Mentor Program in fiscal 2021

### *OUR EXECUTIVE PROGRAMS*

#### THE ELC X WHARTON: KNOWLEDGE FOR ACTION VIRTUAL SERIES

Created and sponsored by William P. Lauder, ELC X Wharton is designed for Directors, Senior Managers, and Managers. Building on our decades-long partnership with the Wharton School at the University of Pennsylvania, the series brings world-class professors to share strategic insights and innovative thinking with future senior leaders of the organization. More than 5,400 employees attended across six sessions in fiscal 2021, from every part of the enterprise and across all time zones.



William P. Lauder, creator and sponsor of the ELC x Wharton program



SOCIAL IMPACT

# *INCLUSION, DIVERSITY & EQUITY*

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THE ESTÉE LAUDER COMPANIES' VALUES ARE ROOTED IN RESPECT FOR THE INDIVIDUAL, A CULTURE OF BELONGING, AND LONG-HELD VALUES OF INCLUSION, DIVERSITY, EQUITY, AND ENGAGEMENT.



Our collective vision is to be the most inclusive and diverse beauty company in the world—and to be both the employer of choice for diverse talent and the brand of choice for our global consumers.

We are committed to driving equity across our business and within our communities. Through our approaches to racial equity and social justice, we are acting on our mission to have long-term, sustainable impact that creates a more equitable future for all. We are committed to embedding ID&E across our business and enterprise.

# OUR MANAGEMENT APPROACH

Our Global Chief ID&E Officer, Marilu Marshall, is responsible for driving our efforts to create a working environment that supports and celebrates all identities. This role, established in 2004, reports to the Company’s Executive Chairman, William P. Lauder. Our Global Diversity Council, formed in 2006, is composed of a select group of our most senior leaders and co-chaired by our Executive Chairman and our President and CEO. The council meets quarterly and guides the execution of the ID&E strategy.



The Estée Lauder Companies employees and executives gather for a meeting of the Women's Leadership Network

## DIVERSITY ACROSS OUR COMPANY (AS OF JUNE 30, 2021)

**82%**

of our global workforce is female

**46%**

of our U.S. workforce is Black, Indigenous and People of Color (BIPOC)

**55%**

of global VP positions and above are held by women

**44%**

of our Board of Directors are women

The Global ID&E team works closely with our brands, regions, and functions, each of which has an ID&E champion. These champions are dedicated to fostering inclusive environments and initiatives for our workforce and consumers. Each brand champion also has a business partner from the ID&E team, who assists with strategy development and implementation.

In fiscal 2021, we established a new Equity and Engagement Center of Excellence (COE), led by our Senior Vice President, Equity and Engagement, Nicole Monson. This critical capability will not only drive progress and accountability for our commitments to the Black community in the United States, but also develop a long-term strategy to achieve equity across our organization and a pathway to further opportunity and advancement for all employees. The COE will focus on deep engagement, career advancement, development programs, hiring practices, and beyond to ensure that we meet and sustain our commitments.

Overseeing our strategy and commitments to Gender Equality is Sara Moss, Vice Chairman of The Estée Lauder Companies, who serves as a senior advisor to the Board of Directors, executive management, and the Lauder family. She is the co-executive sponsor of the Women's Leadership Network (WLN) and works collaboratively with senior leaders and others across the organization to drive the Company's Women's Leadership Initiatives and Gender Equality goals.

## OUR COMMITMENT TO RACIAL EQUITY AND GENDER EQUALITY

In June 2020, we announced our Racial Equity commitments. Rooted in our long-held values of respect for the individual, inclusion, and equity, these commitments will help us in our continuous efforts to make equality a reality at The Estée Lauder Companies.

*Read the full announcement.* [🔗](#)

In March 2021, our Vice Chairman, Sara Moss, spoke to our Gender Equality commitments to advance women both within our organization and around the world.

*Read the full letter.* [🔗](#)

# THE BEAUTY OF BELONGING

We believe an inclusive culture drives creativity, innovation, and excellence. The strength of our company is rooted in the collective diversity of backgrounds and unique perspectives of our employees. We welcome and celebrate each person’s unique strengths and talents, regardless of geography, age, culture, race/ethnicity, gender, gender identity, sexual orientation, religion, physical ability, or socioeconomic status.

As we strive to achieve our vision to become the most inclusive, diverse, and equitable beauty company in the world, we are focused on empowering and engaging our employees, encouraging them to bring their authentic and full selves to work every day and to lead from every chair. We are committed to amplifying their talents and ensuring our workforce understands and represents the global consumer base and the communities we serve.



## ELC CELEBRATES GLOBAL INCLUSION, DIVERSITY & EQUITY WEEK

In May of 2021, our Global ID&E Week theme highlighted The Beauty of Resilience: Moving Forward Stronger Together. We paid tribute to the amazing dedication and hardwork of our diverse talent and the Employee Resource Groups (ERGs) that have been instrumental in providing support, comfort, and perspective during the past year.

In celebration of Global ID&E Week, the ELC Good Works program double-matched select nonprofit partners supported by the Company’s ERGs through the ELC Community Impact Grant. This week-long campaign provided ERGs an opportunity to support a nonprofit of their choice and offered employees the chance to engage and enhance their impact. Read more about our ERGs on page 27.



## SUPPORTING THE ASIAN AND PACIFIC ISLANDER COMMUNITY

We stand with our employees, consumers, and partner organizations in denouncing the rise in acts of violence and discrimination against the Asian and Pacific Islander community that occurred in fiscal 2021.

In response, The Estée Lauder Companies and its brands donated \$620,000 to organizations that support racial justice and equity for the Asian community, including Asian Americans for Equality, Stop AAPI Hate, and Asian Americans Advancing Justice—AAJC. The ELC Good Works program also double-matched eligible employee donations made to the above organizations.

In addition, leaders within our organization, including members of the Asian Affinity Group (AAG) ERG, championed ways to support our Asian employees and the Asian community, including through internal Town Halls and other events.

## EDUCATION AND TRAINING

Our training programs help keep our workforce informed and educated on important ID&E topics. We provide employees a mix of in-person trainings, eLearning, and other digital options.

### HIGH-TOUCH INCLUSION

How We Work Together and Why It Matters

Our foundational training course focuses on enhancing self-awareness and valuing different perspectives. Since its inception in fiscal 2014, thousands of employees from more than 25 countries have participated in High-Touch Inclusion. In fiscal 2021, we offered virtual seminars to provide full-time corporate employees access to this course.

### IDENTIFYING AND DISRUPTING UNCONSCIOUS BIAS

This workshop tackles the way we unknowingly develop and perpetuate false and unfair stereotypes. In fiscal 2021, we offered virtual seminars to full-time corporate employees.

### INCLUSIVE LEADERSHIP

This highly interactive seminar explores the benefits of inclusive leadership and focuses on three competencies: promoting a sense of belonging, enhancing cross-difference competency, and helping team members reach their full potential. This course was piloted in fiscal 2020 and was rolled out in fiscal 2021.

### WE LOVE RETAIL

Store and counter managers across 60+ countries have access to the introductory ID&E module in 16 different languages in the We Love Retail program, our flagship onboarding program for retail managers globally.

### ANTI-RACISM

In fiscal 2021, we introduced this highly engaging virtual workshop, which explores the dimensions of anti-racism and challenges employees to identify how one consciously or unconsciously contributes to the system of racism. The workshop empowers participants to discover ways within the beauty industry to intentionally act to dismantle the system of racism structurally, interpersonally, and internally.

### BEST PLACE TO WORK FOR LGBTQ EQUALITY

The Estée Lauder Companies has been recognized as a “Best Place to Work for LGBTQ Equality,” scoring 100 on the Human Rights Campaign’s (HRC) 2021 Corporate Equality Index (CEI). This is the 12th year that the Company has received a perfect score on this prestigious index.

The Estée Lauder Companies has also been listed as one of the 23 best companies to work for LGBTIQ+ talent in Peru by Presente, a nongovernmental organization that works for the LGBTIQ+ rights of people in Peru.



### wELCome GOES GLOBAL

We remain committed to building a workplace that is welcoming and equitable to everyone, where people from all walks of life can bring their authentic selves to work and be treated with respect and dignity. In the past year, wELCome, the Company’s LGBTQIA+ ERG, has expanded, launching chapters in the United Kingdom, Brazil, and India, with plans to expand further to Mexico.



# RACIAL EQUITY

The Estée Lauder Companies has long held inclusion and diversity among its core values. The events of 2020 and the movement around racial equity sparked an even deeper level of accountability. We pledged to more fully understand the systemic issues surrounding race, identity, and representation and, as a company, dedicated ourselves to being part of the solution for the long term.

Our Racial Equity Steering Committee—led by Tracey Travis, Executive Vice President, Finance, and Chief Financial Officer; and Michael O’Hare, Executive Vice President, Global Human Resources—laid the groundwork for sustainable, long-term change through a series of commitments to our Black employees and consumers in the United States. These commitments serve as the foundation for our forward-looking and global approach to inclusion, equity, and engagement for all employees.

## *FISCAL 2021 PROGRESS TOWARD ACHIEVEMENT OF OUR RACIAL EQUITY COMMITMENTS*

### LISTENING AND LEARNING

We are committed to fostering a stronger internal culture of advocacy and inclusion to help employees share their voices, be heard, and collectively affect change.

- 94% of U.S. corporate and field employees completed unconscious bias trainings, and training has begun in the United Kingdom. The learning will continue as new trainings and programs are rolled out globally over the next fiscal year. Unconscious Bias training is now mandatory globally for all full-time employees, including manufacturing and distribution employees.
- 100% of the Executive Leadership Team completed one-on-one trainings, as well as team talent evaluations and support, through a newly launched Inclusive Leadership Behaviors and Talent Planning program.
- Our ID&E COE organized more than 35 skill-building workshops globally on issues of race and micro-aggressions for specific brand and corporate audiences.

### TALENT AND OPPORTUNITY

We are working to ensure we are providing more equitable access to professional development and advancement for our Black employees in the United States and hold ourselves accountable for creating a workforce that is more representative and responsive to people of all backgrounds.

- Our internal sponsorship program, “From Every Chair,” launched in February 2021 as a program for Black employees at the Executive Director level and below in the United States, matching every participant to a leadership-level sponsor or mentor. It was developed with our Network of Black Executives (NOBLE) ERG, our Global Talent team, and our ID&E team. The program will continue to expand to support other underrepresented groups.
- As part of our external recruiting efforts, we deepened partnerships with recruitment firms and national diversity organizations, such as the Executive Leadership Council and the National Black MBA Association.
- We launched “She’s Howard, Own Your Power,” a multi-year program in collaboration with Howard University that aims to recruit alumnae to participate in experiential learning, career advisement, professional training, and self-empowering mentorship opportunities.
- As of June 30, 2021, 9.2% of new hires within the year in the United States were filled by Black candidates. This equates to a 35% increase in the proportion of our hires that are Black compared to fiscal 2020.
- Black representation within our corporate population increased from 5.9% to 6.4%, driven largely by the increased proportion of hires who are Black. At the same time, the Company’s total U.S. population as of June 30, 2021 was 11.7% Black, which is a decrease from 13.4% at the end of fiscal 2020. This decrease is driven primarily by COVID-19-related reductions in the retail population, where Black representation is higher.

## REPRESENTATION

We are working to ensure that the end-to-end creative process accurately and consistently represents the Black experience, engages Black professionals, and that our products meet the needs of our Black consumers.

- Our Research and Development and Legal Task Force on Inclusive Beauty expanded capabilities and testing for inclusive skin tone and ethnicity. We also increased our collaboration with brands on growing product concepts, claims, and opportunities for Black skin and Black cultural relevancy.
- In February 2021, we launched an External Creative Advisory Board that meets quarterly with brand and creative leadership to accelerate our creative partnerships, expand our network of Black artists, and encourage the development of groundbreaking and relevant concepts and creative to connect to our Black consumers.
- As of June 2021, a majority of our brands have developed ID&E governance and long-term strategies and identified areas of opportunities in line with their identities. Our brands are working to increase representation within their teams, develop meaningful collaborations with external talent, and increase product offerings and culturally relevant campaigns and activations for consumers.

## SUPPLIERS

We are committed to leveraging our power to support Black-owned businesses. We commit to at least double the amount we currently spend on sourcing ingredients, packaging materials, and supplies from Black-owned businesses over the next three years.

- We created a new role to lead our supplier diversity efforts. We also joined the National Minority Supplier Development Council (NMSDC) and renewed our membership with the Women’s Business Enterprise National Council (WBENC) to build connections and enable new supplier engagements with minority- and women-owned businesses. As of June 30, 2021, the Company purchased more than \$217 million USD in goods and services from diverse and small-owned suppliers.

## INVESTING IN CHANGE

We seek to meaningfully support external organizations and nonprofits pushing for systemic changes and racial and social justice.

- Since announcing our commitment of \$10 million over three years to support the work of prominent racial and social justice organizations, The Estée Lauder Companies Inc., its brands and the Lauder family, including through The Estée Lauder Companies Charitable Foundation and ELC Good Works awarded grants totaling more than \$8 million USD to support external organizations and non-profits. Collectively, employees made over 4,500 donations between June 1, 2020 and June 30, 2021 to various racial equity nonprofits through ELC Good Works, totaling \$3.1 million USD in employee donations and company matches.
- We have deepened our support to the Black and AAPI community by accelerating our efforts to make racial equity a priority across the enterprise and have continued to champion initiatives that provide greater access to education through groups such as NAACP Legal Defense and Educational Fund, Inc.; the Equal Justice Initiative; Asian Americans Advancing Justice—AAJC; and The Young Women’s Leadership Schools (TYWLS), a program of the Student Leadership Network.

### HONORING JUNETEENTH

Before it became a federally mandated holiday, in 2020 we established Juneteenth as a permanent annual U.S. employee holiday to commemorate the end of slavery in the United States. In observance of Juneteenth in fiscal 2021, we invited employees to participate in events to listen, learn, reflect, and act as we work collectively toward long-term, sustainable change at the Company and beyond.

Additionally, ELC Good Works double-matched eligible employee donations made between June 14-22, 2021, to the following nonprofit organizations: Black Lives Matter Support Fund, Equal Justice Initiative, NAACP Legal Defense and Educational Fund, National Museum of African American History and Culture, Race Forward, and the Schomburg Center for Research in Black Culture.

NOBLE  
**JUNETEENTH**  
CELEBRATE FREEDOM





## GENDER EQUALITY

The spirit of our founder, Mrs. Estée Lauder, serves as our greatest inspiration. When she placed her name on a jar of her signature cream 75 years ago, she reimagined what was possible for women to achieve and made history—creating a company based on the principles of equality and women’s advancement. Advancing women both within our organization and around the world continues to be one of our core areas of focus.

Today, we see incredible women across our organization at every level, leading from every chair. We are part of the United Nations Foundation’s Five for 5 Initiative and have developed a set of commitments aligned with UN Sustainable Development Goal 5, centered around achieving gender equality and empowering all women and girls. These commitments are a part of our 2021 Opening Doors: Women’s Advancement and Gender Equality Strategy, which honors our history and sets our sights on the future by addressing equality of opportunity, equality of leadership, and equality of access to health and education.



### PARTICIPATION IN GLOBAL EFFORTS FOR IMPACT

We participated in the Generation Equality Forum (GEF) in Paris, France, reinforcing our commitment to providing resources to close the gender inequality gap. Led by UN Women and co-hosted by the governments of France and Mexico, the Forum’s goal is to set strategic objectives and drive actionable commitments for transformational change toward the advancement of women and girls around the world.

In conjunction with GEF, The Estée Lauder Companies Charitable Foundation announced it is among an initial group of philanthropists and foundations as an inaugural donor to Co-Impact’s new Gender Fund to accelerate progress toward gender equality. The fund aims to raise and invest \$1 billion over 10 years, supporting predominantly women-led organizations in the Global South to transform systems, advance women’s power, agency, and leadership at all levels, and shift harmful gender norms.

Learn more about our Social Investments on page 42.

## EQUALITY OF OPPORTUNITY

At The Estée Lauder Companies, we believe all genders should have equal access to opportunity. As a company comprised of 82% women, we have pledged to achieve gender pay equity globally by 2023; increase representation of women from underrepresented groups across our regions and affiliates; and increase representation for Black women at all levels in the United States by 2025.

We have continued our progress toward our pay equity goals. Building on our prior global workforce study, we re-engaged the labor economics consulting firm that supported that study to refresh our pay equity analysis focusing on our non-Point-of-Sale population globally based on gender, and for our U.S. workforce, based on race. As part of this study, we conducted an in-depth statistical analysis of employee compensation, based on like-for-like jobs, considering factors such as grade, experience, time in role, location, and performance, among others.

To support our commitment to gender and racial equity at work, we have made rigorous and objective pay equity assessments a core component of our regular compensation review. The results show that we are making progress. The modest, statistically significant pay gap previously reported for women has been narrowed. Globally, it is expected that women will earn 98.7% in fiscal 2022 of what comparably positioned men earn (as compared to 98.2% in fiscal 2021). We are strongly committed to closing the remaining gap for women. In the United States, we continue to have statistical parity of pay between White and both Black and LatinX employees, as well as for non-White employees collectively.

We believe that gender and racial pay parity are important steps towards achieving full equity in all aspects of employment at The Estée Lauder Companies. We have made pay adjustments in fiscal 2022 and are refining our strategy to close any existing pay gaps in a way that addresses identified sources of pay differences and protects against their re-emergence over time. We are analyzing the root causes of pay differentials and are formulating recommendations with respect to further enhancing our career and talent development programs to ensure equity in career opportunities.

Achieving equity requires a holistic approach; one that further invests in our diverse talent through career advancement, development programs, hiring practices, enhanced talent management, and flexible work principles to ensure sustainable progress over the long term. Read more about these programs in the Employee Engagement and Learning and Development sections on pages 24 and 28.







## EQUALITY OF LEADERSHIP

We believe that all genders should have equal access to positions of leadership within our organization. Under our new gender equality roadmap, we are committed to leveling the playing field for all genders. As part of our equality strategy, we are aiming to achieve gender parity within our Board of Directors by 2025; reaching gender parity for women in senior leadership positions worldwide by 2025; and expanding leadership development programs to give employees the tools and support they need for success.

To this end, in fiscal 2021 we launched the Open Doors Women’s Leadership program, an intensive training program for females at the director level. The program combines self-assessment, instruction, experiential learning, team building, and coaching, as each participant develops her own individual, authentic leadership style. The initial training program is followed by a year-long enrichment program of additional training, coaching, and support. Each participant is partnered with a sponsor to enhance her development and career journey.

Following on the positive feedback from the Leadership program, we launched The Open Doors Collection in July 2021, a self-guided virtual leadership development program available to all employees globally to help them develop critical skills to lead as an individual, across a team, and throughout the enterprise.

## EQUALITY OF ACCESS TO HEALTH AND EDUCATION

We believe that all people around the world deserve access to health, education, and economic participation. We are also committed to giving women and girls access to the proper tools and skills needed to become successful and to create lasting change.

We have pledged to maintain our position as the number one leader in supporting research through the Breast Cancer Research Foundation®. We are also working with multi-stakeholder partners to drive cross-sector progress and engagement and supporting organizations doing critical work to promote gender equality. Learn more about how we are collaborating with others to address health and education disparities in our Social Investments section on page 42.

Finally, we will leverage our platform and use our voice to connect with and empower the next generation of women leaders. We commit to taking steps to galvanize future leaders, including among our thousands of employees and millions of consumers, to advance the voices of the next generation and to be agents of positive change for women around the world.



Jill Bargonetti, PhD. Hesselbach Professor of Biological Sciences and Chair of PhD Program in Molecular Cellular and Developmental Biology at The City University of New York at Hunter College and The Graduate Center. Recipient of The Estée Lauder Companies’ Brands Awards in Memory of Evelyn H. Lauder through the Breast Cancer Research Foundation.



#### GENDER EQUALITY RECOGNITION

- The Estée Lauder Companies has been named to the 2021 Bloomberg Gender-Equality Index (GEI) for the fourth year in a row. The global survey distinguishes companies committed to transparency in gender reporting and advancing women's equality.
- We have been named one of America's Best Employers for Women by *Forbes* Magazine and a Top Company for Executive Women by *Working Mother*.
- We were proud to be awarded Best Company for Women in Hong Kong by the American Chamber of Commerce in Hong Kong SAR, China.
- In Brazil, we received honorable mention for our commitment to the principle "Leadership Promotes Gender Equality" by a consortium of organizations in support of the U.N.'s Women's Empowerment Principles.



Crystal Sai at Black, Brown & Beyond: The Beauty of Our Diaspora, NOBLE's 2020 Black History Month Capstone Event

SOCIAL IMPACT

# *SOCIAL INVESTMENTS*

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AS A COMPANY COMMITTED  
TO LIVING OUR VALUES,  
WE ARE PROUD OF THE POSITIVE  
CONTRIBUTIONS WE CAN MAKE  
IN THE WORLD.

Over the past year, we have enhanced  
and expanded our social impact programs,  
putting equity and people at the center  
of these commitments.



# OUR MANAGEMENT APPROACH

From funding breast cancer research to providing COVID-19 relief and breaking down barriers for women and girls, we're committed to helping support people in the communities where we live, work, and source. We make financial, product, matching, and in-kind donations across our Company, our brands, and through The Estée Lauder Companies Charitable Foundation (ELCCF). Oversight of the ELCCF is provided by the ELCCF Board of Directors, which is composed of both senior Company leaders and independent directors.

During fiscal 2021, we worked to deepen our impact by aligning ELCCF's strategy with our social impact and gender equality strategies—broadening girls' education to include women's advancement; mobilizing increased investments to support racial justice and promoting the interests of equity in society; and enhancing our commitment to our communities through investments in people and the planet.



## SUPPORTING RACIAL AND SOCIAL JUSTICE

Since announcing our commitment of \$10 million over three years to support the work of prominent racial and social justice organizations, The Estée Lauder Companies Inc., its brands, and the Lauder family, including through the ELCCF and ELC Good Works, awarded grants totaling more than \$8 million USD to support external organizations and nonprofits. Collectively, employees made more than 4,500 donations between June 1, 2020, and June 30, 2021, to various racial equity nonprofits through ELC Good Works, our global charitable matching gifts and volunteerism program, totaling \$3.1 million USD in employee donations and Company matches.

We have deepened our support to the Black and Asian American Pacific Islander (AAPI) community by accelerating our efforts to make racial equity a priority across the enterprise. We have continued to champion initiatives that provide greater access to education through groups such as NAACP Legal Defense and Educational Fund, Inc.; the Equal Justice Initiative; Asian Americans Advancing Justice—AAJC; and The Young Women's Leadership Schools (TYWLS), a program of the Student Leadership Network.

*Learn more about our racial equity commitments on page 36.*

## PROGRESS TOWARD OUR GOALS

### GOAL:

*Each brand\* will focus on and support at least one social or environmental cause by 2025.*

Our brands help support causes that matter to them and their consumers. As of June 30, 2021, 95% of our brands are focused on an environmental or social cause.

\*For purposes of this metric the number of brands is 22. This number excludes brands acquired by ELC during or after fiscal 2020 and certain licensed brands for which ELC has determined that it will cease to be the licensee.



Beauty Beyond Boundaries event, sponsored by M·A·C

# THE BREAST CANCER CAMPAIGN

IT'S MORE THAN A RIBBON.  
IT UNITES US.  
#TIMETOENDBREASTCANCER

The Estée Lauder Companies has been a leader in the global breast cancer movement since Evelyn H. Lauder co-created the Pink Ribbon and started The Breast Cancer Campaign (The Campaign) in 1992. Around the world, COVID-19 has brought tremendous challenges, including for those in the breast cancer community who now face more risk and vulnerability. The pandemic has reaffirmed how crucial it is to support medical research and assist those currently living with breast cancer as well as vulnerable groups who may face a disparity in access to healthcare, and doctors, nurses, and caretakers on the front lines. That's why we remain dedicated to The Campaign and its mission to create a breast cancer-free world. Though we know the world has changed, our Breast Cancer Campaign's steadfast commitment to end breast cancer in our lifetime is stronger than ever. As our Company's largest corporate social impact program, we continue to rally people everywhere, drive fundraising, and inspire action.



ELC employees and consumers in South Africa supporting The Breast Cancer Campaign.

IT'S #TIMETOENDBREASTCANCER. IN FISCAL 2021, THE CAMPAIGN TOOK THE FOLLOWING ACTIONS ALIGNED TO ITS MISSION:

- United people virtually around the globe through digital events and activations to drive engagement and support.
- Launched a new social media call-to-action (CTA) that rallied followers to support the Breast Cancer Research Foundation® (BCRF) by showing their Pink Ribbon and sharing what it means to them by using the hashtags #TimeToEndBreastCancer and #ELCdonates via Facebook and Instagram. The Company donated \$25 for every post made. The CTA exceeded its fundraising goal within the first two weeks of October 2020, allowing us to increase the donation amount by \$50,000 for a final donation amount of \$150,000.
- Illuminated buildings, monuments, and landmarks worldwide in glowing pink lights to raise awareness of breast health, including the Empire State Building, New York; the Eiffel Tower, Paris; Burj Al Arab, Dubai; Lotte World Tower, Seoul; and Titanium La Portada Tower, Santiago.



In fiscal 2021, 20 of The Estée Lauder Companies’ iconic brands proudly supported The Breast Cancer Campaign’s mission to create a breast cancer-free world and raise funds for the Breast Cancer Research Foundation® (BCRF), including, Aerin, Clinique, Darphin, Donna Karan, Estée Lauder, and new additions such as Dr. Jart+.

THE CAMPAIGN CONTINUES TO POSITIVELY IMPACT THE GLOBAL COMMUNITY IN NUMEROUS WAYS, INCLUDING:

- Funding medical research and fellowships worldwide
- Advancing conversations on the importance of breast health education and early detection by facilitating discussions between the breast cancer community, medical experts, and key opinion leaders, as well as producing informative materials
- Supporting the building and updating of various care centers to treat breast cancer patients
- Funding lifesaving medical resources and services including access to mammograms and screenings to vulnerable groups without access to healthcare
- Positively impacting the lives of people with breast cancer and their families by helping to provide support, therapy, and counseling programs.

## RESEARCH IN ACTION

Together, The Breast Cancer Campaign and The Estée Lauder Companies Charitable Foundation have funded more than \$108 million for lifesaving global research, education, and medical services.\*

The Breast Cancer Research Foundation® (BCRF) was founded by the late Evelyn H. Lauder and is the highest-rated nonprofit breast cancer organization in the United States. BCRF is dedicated to advancing the world’s most promising research to eradicate breast cancer. The Estée Lauder Companies is the largest corporate donor to BCRF, funding research grants and BCRF investigators in eight countries across the globe.

## GLOBAL IMPACT

Our global community supports research, education, and medical services through 60+ organizations worldwide, including in:

- CHINA: The Minhang District branch of the Shanghai Charity Foundation cares for breast cancer patients in two rural counties: Shidian County, Yunnan, and Xunwu County, Jiangxi.
- COLOMBIA: Fundación Salud Querida is an organization that educates the public on breast cancer and supports patients from diagnosis through remission, as well as raises funds to support those in need of treatment and organizes workshops with patients.
- KOREA: The Korean Cancer Society (KCS) supports initiatives surrounding public education, outreach, and medical services for the low-income breast cancer community in the market.
- PERU: The National Institute of Neoplastic Diseases (INEN) raises funds to help provide thousands of mammograms for women in communities with limited access to healthcare; and Alliance of Support to INEN (ALINEN) mobilizes women who are passionate about volunteering to support the local breast cancer community.

### THE ESTÉE LAUDER COMPANIES’ BREAST CANCER CAMPAIGN

Through the collective support of our consumers, employees, and partners worldwide, The Campaign has:

- Supported more than 60 breast cancer organizations globally
- Distributed approximately 180 million Pink Ribbons at our brands’ beauty counters worldwide
- Mobilized our diverse employees worldwide to positively impact communities and unite in action.

Real progress against this disease has been made, and we are proud to inspire action through our global community. We continue to transform hope into impact that positively affects people everywhere.

\*The Breast Cancer Campaign has provided funding since 1992 and The Estée Lauder Companies Charitable Foundation provided an inaugural \$1 million donation in 2021.

# EMPOWERING WOMEN AND GIRLS

We have a long-standing legacy of supporting and empowering women and girls. As an organization founded by a woman, we are dedicated to helping women and girls achieve their highest potential, including through social investments. Our commitment spans a range of causes, from supporting women's health through our pioneering breast cancer campaign to increasing educational opportunities for girls in underserved communities.

## THE ESTÉE LAUDER COMPANIES CHARITABLE FOUNDATION (ELCCF)

Since 2016, ELCCF has supported girls' education programs that are focused on providing girls the skills they need to bring about lasting change for themselves, their families, and their communities, and to help them grow into leadership roles. In fiscal 2021, we deepened our commitment to girls' education and expanded our mission to include women's advancement.

In support of these efforts, we have launched strategic partnerships with organizations that are focused on girls' education, women's economic participation in the workforce, and women's leadership, and with groups that seek to strengthen the well-being of communities around the world. Examples of these initiatives include:



## CO-IMPACT

Co-Impact is a global philanthropic collaborative supporting initiatives to make systems and societies more just and inclusive so people can live fulfilling lives. ELCCF is an inaugural donor to Co-Impact’s Gender Fund with a multi-year pledge of \$3 million per year/\$15 million over five years focused on achieving transformative systems change for gender equality, with an emphasis on elevating women’s power, agency, and leadership at all levels. By working in tandem with gender experts, local governments, mission-aligned funders, community leaders, and grassroots programs, the Co-Impact model seeks to transform health, education, and economic systems to achieve equitable and inclusive impact at scale in countries across the Global South.



## GRANTMAKERS FOR GIRLS OF COLOR

Grantmakers for Girls of Color (G4GC) works to amplify and mobilize resources to support organizing work led by girls and gender-expansive youth of color in the United States to achieve measurable change. Through a grant to G4GC, we aim to build on our existing commitment to girls’ education and racial equity with an added emphasis on partnering with local groups at the intersection of race and gender. Our grant primarily supports G4GC’S Black Girl Freedom Fund, G4GC’s largest initiative and part of the #1Billion4BlackGirls campaign, a 10-year initiative dedicated to supporting the brain trust, health, innovation, safety, education, artistic visions, research, and joy of Black girls and their families.



## BOBBI BROWN

The Bobbi Brown Pretty Powerful Fund supports nonprofit organizations working to empower women and girls through education and has provided more than \$1 million in grants since its inception in 2019.

Through a donation in fiscal 2021, the Bobbi Brown Pretty Powerful Fund became the largest single donor to She’s the First, a nonprofit that fights gender inequality through education. Our support of She’s the First provides more than 9,000 girls globally with access to mentorship services.

To drive awareness of the Pretty Powerful Fund’s mission and to amplify impact through the brand’s website, Bobbi Brown has developed an ongoing consumer donation program in support of the partnership with She’s the First, allowing consumers to add a donation to the organization at check out. In fiscal 2021, consumer donations at checkout increased by more than 25% versus fiscal 2020.



## THE YOUNG WOMEN’S LEADERSHIP SCHOOLS

Operated by Student Leadership Network (SL Network), The Young Women’s Leadership Schools (TYWLS) are a network of five public secondary schools serving girls and gender-expansive youth of color from primarily underserved communities in New York City. A longtime ELCCF partner, TYWLS supports the development of the “whole girl” in four core areas: college and career awareness, STEM, health and wellness, and leadership development.

During the 2020-2021 school year, 99% of the class graduated from high school, with 98% of graduating seniors accepted into college. Additionally, 2,850 students were impacted through renewed support for SL Network’s CollegeBound Initiative (CBI) at TYWLS East Harlem and Girl’s Academic Leadership Academy of Los Angeles (GALA), an affiliate school of SL Network. ELCCF provided supplemental funding for the CollegeBound Initiative at TYWLS Brooklyn, TYWLS Astoria, and TYWLS Queens and funded a mental health counselor focused on COVID-19 trauma support at TYWLS Bronx.



“  
*Now, more than ever, we are depending on partners like The Estée Lauder Companies to help ensure that we are able to continue the support we provide to students. The generosity of the ELCCF allows us to impact the lives of so many well-deserving young women. We are truly grateful for the ELCCF’s steadfast support for the last 18 years — we honestly couldn’t do the work we do without it!*  
 ”

YOLONDA MARSHALL  
 Chief Executive Officer, Student Leadership Network



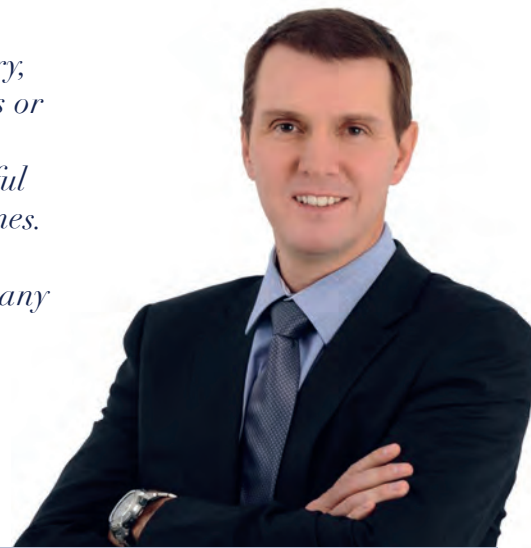
# INVESTING IN COMMUNITIES

We know that global challenges require collaborative solutions. In fiscal 2021, we focused our community investments on disaster relief, including our continued response to COVID-19, health, and the environment.



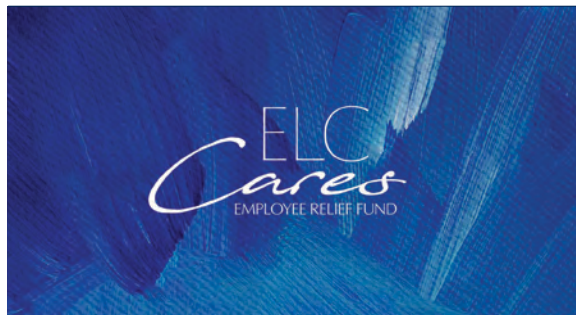
“  
*Within our ELC family, where people’s personal situations vary, we know that many are tasked as caregivers for their families or have faced new hardships as a result of the pandemic. The generous relief from the ELC Cares Fund provided meaningful support for individuals in our affiliate at the most critical of times. You can imagine the emotions, the immense relief, and the utmost gratefulness our employees have expressed to the Company and the Lauder family for the establishment of this fund.*  
”

LOREN DREYER  
General Manager, South Africa and Sub-Saharan Africa,  
The Estée Lauder Companies



## DISASTER RELIEF: OUR CONTINUED RESPONSE TO COVID-19

Communities around the world continue to grapple with the unprecedented challenges posed by COVID-19. Building on our COVID-19 relief efforts, which began in fiscal 2020, the Company provided additional product donations and made significant monetary donations. As the impact of the pandemic shifts geographically, we have also been agile in our response to support those communities globally that are being more heavily impacted.



### ELC CARES EMPLOYEE RELIEF FUND

The ELC Cares Employee Relief Fund (ELC Cares Fund), was established in 2020 to support ELC employees worldwide facing financial hardships due to COVID-19. Through the contributions of employees, as well as those from the Lauder family and the Company, the fund has awarded more than 13,700 grants and distributed more than \$7.9 million to support members of our global family as of June 30, 2021—providing immediate and critical financial relief to employees facing hardship as a result of the COVID-19 pandemic.



### RESPONDING TO COVID-19 IN INDIA AND BRAZIL

In fiscal 2021, to provide relief to those experiencing the devastating effects of the pandemic in India and Brazil, ELCCF awarded a grant to UNICEF USA in support of UNICEF's work as a partner of the Access to COVID-19 Tools Accelerator (ACT-A), a collaboration to accelerate development, production, and equitable access to COVID-19 tests, treatments, and vaccines globally. ELCCF's support in India and Brazil will enable UNICEF to deliver COVID-19 vaccine doses, procure and deliver therapeutics and diagnostics, and support risk communication and community engagement—building trust and supporting the adoption of COVID-19 vaccines, treatments, and tests.

To further help local communities in India and Brazil affected by the COVID-19 pandemic, ELC Good Works double-matched employee donations to The Akshaya Patra Foundation in India and Unibes in Brazil for two months in fiscal 2021. Donations were used to help provide essential goods and services, such as meal supply to the hospitals with no food facility, packed food for frontline workers, dry grocery box distribution to vulnerable families, and supply oxygen concentrators where feasible.



### KAILASH SATYARTHI CHILDREN'S FOUNDATION

Since 2005, we have partnered with the Kailash Satyarthi Children's Foundation (KSCF) to help address child labor in the mica-mining industry. KSCF works to eliminate child labor in India by partnering with local communities to develop proactive and sustainable solutions, including through the creation of Bal Mitra Grams or Child Friendly Villages.

In the wake of COVID-19 and its devastating impact on the region, KSCF stepped in to meet the immediate needs of children and families. KSCF team members worked with the Indian government to identify areas of need, distribute food and other supplies, and raise awareness about virus transmission. During school closures, team members focused on keeping children safe, supplying them with midday meals and distance learning supplies, and protecting them from trafficking.

## HEALTH

In addition to our long-standing commitment to ending breast cancer, our brands are leveraging their power and reach to drive progress on health issues that matter to them and their consumers, making significant impacts in the fight against HIV/AIDS and mental illness.

### M·A·C VIVA GLAM

The trailblazing M·A·C VIVA GLAM campaign has raised more than \$500 million in support of people and communities in need since it was launched in 1994. Through this program, 100% of the selling price of VIVA GLAM lipstick products go to organizations that are working to provide assistance to people living with and affected by HIV/AIDS and to promote healthy futures and equal rights for all. In recent years, M·A·C has increased efforts to focus on women and girls and the LGBTQIA+ community.

In fiscal 2021, to mark the 26th anniversary of M·A·C VIVA GLAM and create greater awareness for the ongoing challenges of HIV/AIDS and equal rights, M·A·C teamed up with singer-songwriter Rosalía to create a red lipstick inspired by the Grammy-winner’s flamenco sound. Additionally, tied to Pride 2021 celebrations in the United States, the brand launched an 11-shade eye liner assortment where 100% of the selling price went to the Hetrick-Martin Institute (HMI), one of M·A·C’s long-standing VIVA GLAM partners, which helps to fight for the empowerment of the LGBTQIA+ community.



M·A·C employees celebrating the VIVA GLAM campaign



“  
*We are grateful for our longtime partnership with M·A·C and for this amazing collaboration, which will benefit HMI’s diverse community of young people, the vast majority of whom identify as Black or people of color. M·A·C has always encouraged the expression and elevation of queer community voices and identities, and we are proud to join them in celebrating Pride in all of its colors!*  
 ”

JOE PRESSLEY  
 Chief Executive Officer, Hetrick-Martin Institute

### JO MALONE LONDON

Since 2012, Jo Malone London has donated more than \$3.4 million to mental health charities in the United Kingdom and Ireland, helping to raise awareness and stamp out stigmas through the sales of the Charity Home Candle collection. The collection is now four candles strong, enabling the brand to support 11 charities in the region.

In fiscal 2021, coinciding with Mental Health Awareness Month, the brand extended its support for mental health to the United States with the launch of its White Lilac & Rhubarb Charity Home Candle. For each candle sold in the United States, Jo Malone London donates 70% of the purchase price to Fountain House, a leading mental health nonprofit organization, in support of the growth and expansion of its youth initiative and College Re-entry program. This program is designed for academically engaged 18- to 30-year-old students who, having withdrawn from their studies due to mental health issues, are given the tools they need to return to college and successfully achieve their educational goals.



## ENVIRONMENT

We strive to reduce our environmental impacts and address the risks presented by climate change. Our social investments and brand engagement efforts in this area amplify our work to help protect the planet and raise awareness about important environmental issues.

### PLASTICS FOR CHANGE

Through an ELCCF grant to Plastics for Change, we seek to enhance livelihoods for waste collectors in India, the majority of whom are women, while diverting plastics from the ocean. Plastics for Change has developed an innovative ethical sourcing platform to create dignified, sustainable livelihoods for the urban poor and break the cycle of poverty, while increasing the upcycling capability of plastic and moving the industry toward a circular economy. Its program also provides education, nutrition, and healthcare support to the waste-collector community.

### LA MER

La Mer is committed to supporting ocean conservation efforts around the world. To date, La Mer has helped support the protection of more than 16 million square miles of marine habitats. Through the La Mer Blue Heart Oceans Fund, the brand supports organizations that are dedicated to marine habitat restoration and youth education and empowerment around ocean conservation, inspiring young people to be change agents in their local communities.

In fiscal 2021, the La Mer Blue Heart Oceans Fund provided support to GreenWave, an innovative nonprofit focused on the use of regenerative ocean farming, specifically sea kelp, to restore ocean ecosystems, mitigate climate change, and create jobs. In addition, the Fund will support youth environmental leaders in historically excluded coastal communities in North and South America through its support of EarthEcho International, an organization focused on building a global youth movement to protect and restore our ocean planet.

### ORIGINS

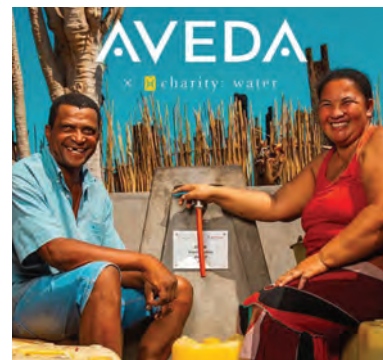
Origins is dedicated to helping to safeguard the health of forests for future generations. The brand has joined forces with environmental nonprofit organizations to support tree-planting efforts, help restore ecosystems, benefit local communities, and fight climate change. Through these charitable programs, the brand has funded the planting of and caring for more than 1,855,000 trees since 2009.

In fiscal 2021, Origins created its Green the Planet Fund to simultaneously address global warming and to support the work of environmental justice organizations to trigger real, meaningful change in the lives of people impacted by climate change. The Green the Planet Fund has teamed with One Tree Planted to support the planting of and caring for 250,000 trees over the year in projects spanning Asia, Europe, and North America.

### AVEDA

Aveda is committed to raising awareness and funds to help provide clean water globally and help protect clean water locally through their signature annual giving campaign, Aveda Earth Month. Since 1999, Aveda has raised more than \$67 million for hundreds of local and global environmental organizations providing clean water to more than 1.4 million people and protecting approximately 2,000 watersheds.

In fiscal 2021, Aveda and its passionate network of salons, spas, educational institutes, employees, and consumers raised more than \$2 million. These funds will provide an additional 35,000 people with clean water in Aveda's sourcing communities in India, Nepal, Madagascar, and Ethiopia through the brand's partnership with nonprofit charity: water and continue to protect local watersheds where these communities live and work.



### RAINFOREST ALLIANCE / SUPPORTING EQUITABLE SOLUTIONS TO CLIMATE CHANGE

As a *Beauty Inspired, Values Driven* company, we put our values into action every day across our entire business to better people and the planet. Throughout Earth Month, we asked our employees to help us raise funds for the Rainforest Alliance by sharing how they are **BEAUTY INSPIRED, VALUES DRIVEN**. Thanks to the efforts of our global ELC family and in honor of our 75th anniversary, we donated \$75,000 to the Rainforest Alliance's global gender equality work, which engages women in sustainable climate solutions.

# ENGAGING EMPLOYEES

Our employees are change makers. Their generosity of spirit and goodwill have created a culture of global citizenship and shared purpose. We provide tools, education, and resources so employees can drive social impact and sustainability across our business and bolster the contributions they make in their communities.



## THE ELC CARES EMPLOYEE RELIEF FUND

We continue to support our employees facing financial hardships due to COVID-19 through the ELC Cares Fund. Learn more on page 49.

## AMPLIFYING EMPLOYEES' GOOD WORKS

As a company with a deep culture of purpose, we provide diverse, inclusive, and personalized employee programs, such as Volunteer Time Off, virtual team volunteer opportunities, and Company matching campaigns to enhance employee experience. We are inspired by the passion our employees show in donating their time and money to causes close to their hearts.

That collective generosity of spirit is why we created ELC Good Works, our charitable matching gifts and volunteerism platform that allows eligible employees to create and sign up for volunteer activities, as well as request to have their donations and volunteer hours matched by the Company. In fiscal 2021, ELC Good Works was expanded to include all regions—employees in 19 markets can participate in both volunteering and giving. Over the course of the year, \$2.9 million was collectively donated to more than 3,500 nonprofits on the platform around the world.

## ELC GOOD WORKS CHAMPIONS

To build on the success of ELC Good Works, in fiscal 2021 we launched the ELC Good Works Champions program, further enabling passionate employees to lead and amplify company-wide volunteer events to drive social impact initiatives. The ELC Good Works Champions program serves as a critical driver in achieving ELC's goal to engage 50% of eligible employees in regional, brand, or local volunteer or giving programs by 2025.

Piloted in the United States for eligible employees,\* the program will be globalized in a phased approach. Already, ELC Good Works Champions have led multiple virtual volunteer activities that bridged the remote working conditions precipitated by COVID-19. For example, activities included creating inspirational digital cards for students, recording audio storybooks for hospitalized children, and designing e-flashcards to motivate young girls to become future leaders.

## VOLUNTEER TIME OFF

In keeping with our long-standing culture of giving and to encourage employees to stay involved in their communities and in the causes that matter most to them, we launched the Volunteer Time Off (VTO) program in fiscal 2021. This program allows eligible\*\* employees to receive paid time off to volunteer with their favorite nonprofits during standard work hours and to receive \$20/ volunteer hour to donate to the nonprofit of their choice. With the introduction of the VTO policy and expanded virtual volunteer opportunities, our employees have even greater flexibility when it comes to giving their time to causes that matter to them.

## COMMUNITY IMPACT GRANTS

The Community Impact Grant allows our Employee Resource Groups (ERGs) the unique opportunity to direct corporate social investments and commit volunteer hours to the nonprofits that align with the mission and values of the ERGs. In fiscal 2021, we expanded our Community Impact Grant program to include the United Kingdom, in addition to the United States. Ten ERGs in the United States and five ERGs in the United Kingdom participated in the program in fiscal 2021. Learn more about our ERGs on page 27.

Additionally, in celebration of Inclusion, Diversity & Equity Week 2021 (May 17-21, 2021), ELC Good Works provided a double match for employee donations to select nonprofit partners supported by the ELC Community Impact Grant.



### PROGRESS TOWARD OUR GOALS

#### GOAL:

*By 2025, we will engage 50% of eligible employees in regional, brand, or local volunteerism and giving programs such as ELC Good Works, The Breast Cancer Campaign, and the M-A-C Global Volunteer program.*

In fiscal 2021, 19% of eligible employees participated in volunteerism and giving programs as recorded via the ELC Good Works platform.\*

\*Metric reflects information self-reported to ELC Good Works, the Company's internal platform used to report employee volunteerism, employee monetary donations, and ELC charitable matching gifts. In September 2020 (fiscal 2021), ELC Good Works expanded to 17 markets outside the U.S. and the U.K. At the end of fiscal 2021, ELC Good Works was available to eligible employees in 19 markets globally. "Eligible employees" are those who meet certain criteria, which varies by market, and have access to ELC Good Works. Excludes brands acquired by ELC during or after fiscal 2020. For additional information, see [Management Assertion](#).

\* Any traditionally NYC-based full-time or part-time regular employee in good standing.

\*\*Active U.S.-based full-time regular corporate employees can utilize up to 16 VTO hours per calendar year. Active U.S.-based part-time regular corporate employees and active U.S. full-time regular and part-time regular Aveda retail and supply chain employees can utilize up to eight VTO hours per calendar year.

SUSTAINABILITY

# *CLIMATE AND ENVIRONMENT*

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WE AIM TO MINIMIZE ENVIRONMENTAL IMPACTS BY SETTING TARGETS TO REDUCE DIRECT AND INDIRECT GREENHOUSE GAS (GHG) EMISSIONS; IMPLEMENTING MORE SUSTAINABLE BUILDING PRACTICES; SENDING ZERO INDUSTRIAL WASTE-TO-LANDFILL AT OUR GLOBAL MANUFACTURING, DISTRIBUTION, AND INNOVATION SITES; AND IMPROVING WATER EFFICIENCY ACROSS OUR OPERATIONS.



An employee in our NorthTec facility in Bristol, Pennsylvania

## OUR MANAGEMENT APPROACH

Our Global Supply Chain function, which includes the Environment, Health, Safety + Sustainability (EHS+S) team, is responsible for managing energy use and greenhouse gas (GHG) emissions, implementing waste-reduction and recycling efforts, and reducing water use across our business. In addition, our Global Corporate Sustainability team helps manage and advise on aspects of our environmental strategy, including our climate action plan and Net Zero portfolio.

Our manufacturing sites\* have been externally certified to ISO 14001 standards, a voluntary standard to drive improvement, since 2000. As part of maintaining our certification, we continuously improve our environmental and safety management and performance. We also assess our suppliers across a range of environmental performance criteria.



# CLIMATE ACTION

Together with our employees, consumers, and suppliers, we support the transition to a low-carbon economy by reducing our carbon footprint and investing in green energy solutions. In fiscal 2020, we achieved Net Zero Scope 1 and Scope 2 emissions and sourced 100% renewable electricity globally for our direct operations—commitments that we met again in fiscal 2021\* and intend to maintain moving forward. We also set science-based emissions-reduction targets (SBTs) for our direct operations and value chain, positioning us to take even more decisive action against climate change in the coming decade.





## RE100

CLIMATE GROUP



### RE100 ENTERPRISING LEADER AWARD FOR CLEAN ENERGY TRANSFORMATION

We were honored to win in the 2021 *Enterprising Leader Award* category, which celebrates ambitious companies demonstrating leadership in their industry or home market or “going above and beyond” in their efforts to achieve their targets, despite having a smaller operational footprint. Specifically, we were recognized for our environmental performance across our North American operations and for differentiating within the beauty industry in regard to renewable energy usage.

Run by the Climate Group, in partnership with CDP, the RE100 Leadership Awards celebrate the pioneering work of RE100 members who are transforming the clean energy sector.



### CELEBRATING CLIMATE WEEK

For the fourth consecutive year, we sponsored Climate Week NYC, joining the business community and world leaders (virtually) to showcase our action on climate change. Nancy Mahon, Senior Vice President, Global Corporate Citizenship and Sustainability, spoke on the panel “*The Long Journey to Net Zero: Setting up the Next Generation for Success.*”

### CDP CLIMATE A LIST

The Estée Lauder Companies was named to the CDP Climate A List in 2020, achieving a distinction reached by only the top 5% of the more than 5,800 companies scored.



# OUR RESPONSE TO CLIMATE CHANGE

The Task Force on Climate-related Financial Disclosures (TCFD) helps companies develop voluntary climate-related financial risk disclosures for use by investors, lenders, insurers, and other stakeholders. We have aligned to certain TCFD recommendations with information included in this chapter, the metrics tables on pages 103-104 and our annual response to the CDP Climate questionnaire. [🔗](#)

## PROGRESS TOWARD OUR GOALS

### GOALS:

*Reduce absolute Scope 1 and 2 GHG emissions 50% by 2030 from a 2018 base year.\**

In fiscal 2021, we continued to make progress toward our Scope 1 and 2 emissions reduction target through a portfolio of climate solutions, including on-site renewables, energy efficiency projects, green utility contracts, and renewable energy credits.

*Reduce Scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, and business travel by 60% per unit revenue over the same time frame.\*\**

We made progress toward our Scope 3 target by engaging with suppliers through CDP Supply Chain and establishing an internal governance structure to oversee emissions reductions.

\*The base year is fiscal 2018 and completion year is fiscal 2030. Excludes brands acquired by ELC during or after fiscal 2021.

\*\*The base year is fiscal 2018 and completion year is fiscal 2030. Excludes brands acquired by ELC during or after fiscal 2020 and other acquisitions made prior thereto that have not yet been integrated into the relevant ELC systems.

## GOVERNANCE

We drive climate action from the highest levels of our organization. Climate strategy, initiatives, and progress towards goals are reviewed at regular meetings of the Nominating and ESG Committee of our Board of Directors. Furthermore, the creation of our SBTs was management led and the targets approved by our Executive Chairman and our CEO.

We evolved our climate governance structure following the announcement of our SBTs, with the previously established Net Zero Steering Committee becoming the Climate Action Steering Committee. The committee, which comprises senior leaders from various functions who are members of our Executive Leadership Team (ELT) or report to members of our ELT, is responsible for assessing and managing climate-related risks and opportunities. In addition, the committee evaluates where we can best apply our capital to advance the Company's climate goals.

In fiscal 2021, we created the Climate Action Management Committee, responsible for implementing and operationalizing initiatives needed to achieve our SBTs. This committee includes various management-level employees who oversee special projects and partnerships, the development of internal policies and communications strategies, and engagement with our brands and regions. The committee reports to the Climate Action Steering Committee on a periodic basis.

## STRATEGY

Our climate action strategy guides our decision-making process and enables us to respond thoughtfully to challenges and opportunities. The strategy focuses on three areas:

**SUSTAINABLE OPERATIONS:** We address impacts related to our own, direct operations (Scope 1 and 2 emissions) and the indirect emissions (Scope 3) from transportation and distribution of our products. Initiatives related to these areas are meant to drive emissions reductions and cost savings for the Company. To address Scope 1 and 2 emissions, we pursue energy efficiency and on-site/off-site renewable energy. For transportation and distribution-related emissions (Scope 3), we are focusing on improving data quality to enable better decision making and maximize efficiency. Please see page 64 for more information.

**SUPPLIER ENGAGEMENT:** To address carbon impacts beyond our own direct operations (Scope 3), we are working to implement integrated solutions and foster joint value creation with supply chain partners and Third-Party Manufacturers. Please see page 64 for more information.

**PRODUCT INNOVATION:** We seek to embed sustainability across our product development process to reduce life-cycle carbon impacts. Please see our Product Formulation chapter on page 78 for more information.

We have established an annual dedicated capital fund to support low-carbon sustainability initiatives and technologies that have the potential to positively impact the planet while meeting our business objectives. In fiscal 2021, we evolved the fund to help finance initiatives in support of meeting our science-based targets. These initiatives included a rooftop solar photovoltaic array at our recently constructed manufacturing facility in Canada, and a conversion from oil heating to utility-supplied steam heating generated from biomass at our manufacturing and distribution facility in Switzerland.

## RISK MANAGEMENT

We embed risk management into existing practices and business operations through our Enterprise Risk Management process. Corporate risks, including climate-related risks, are identified and addressed through a consistent and disciplined approach that is appropriately integrated with our strategic planning process.

We conducted a climate risk assessment in fiscal 2019. The assessment included a climate scenario analysis of our facilities' exposure to physical risks, such as changing precipitation patterns and transition risks such as availability of key commodities; and shifting stakeholder preferences. We modeled the risks according to two climate scenarios: one in which global emissions trends continue as usual and another in which emissions are aggressively mitigated and global warming stays between 0.3–1.7°C.

Through this analysis, we found that some of our sites are exposed to heatwaves, extreme precipitation, water stress, coastal flooding, and increased temperature. The impact for each of these risks was assessed as low based on third-party analysis, given the monitoring and mitigation efforts that are in place. We have used the results of our climate change scenario analysis to better understand the risks posed to our business activities.

In addition, please refer to page 66 for more information about our updated water risk assessment.

## METRICS

In 2020, we established SBTs to reduce our GHGs and received validation of these targets by the Science Based Targets Initiative (SBTi). Our Scope 1 and 2 targets are aligned with a 1.5°C pathway, the most ambitious goal of the Paris Agreement. The SBTi does not currently classify Scope 3 target ambition; however, our Scope 3 target meets the SBTi's criteria for ambitious value chain goals and is in line with current best practice.

For more information about our assessment of climate risk and response to climate change, please read our response to the CDP Climate questionnaire. [🔗](#) Please see pages 103-104 for our GHG and energy metrics.



We are members of the U.S. Department of Energy's Better Plants program, a voluntary partnership meant to improve energy efficiency across industrial companies. The Better Plants program provides technical assistance, in-plant and online training, and energy-saving resources such as energy audits and diagnostic equipment lending programs.

## DIRECT OPERATIONS (SCOPE 1 AND 2 EMISSIONS)

We have adopted a portfolio approach to reducing GHGs, which includes the use of on-site renewables, energy efficiency projects, green utility contracts, and renewable energy credits. Our priority is to reduce our operational carbon footprint by deploying high-quality solutions and investing in projects to bring additional renewable energy to the grid.

### OUR FOCUS ON ENERGY EFFICIENCY

We track environmental performance at our facilities\* and have processes in place to collect energy metrics. We use this data to measure the effectiveness of energy-saving activities, which include energy-reduction projects such as lighting retrofits, air flow and temperature-management systems, occupancy sensors, and equipment upgrades to decrease overall energy use and carbon emissions.

### INVESTING IN WIND ENERGY

We are party to a Virtual Power Purchase Agreement (VPPA) for 22 megawatts (MW) of wind power from the Ponderosa wind farm in Oklahoma, United States. This arrangement represents our largest renewable energy agreement to date. The Ponderosa wind farm generated more than 57,700 megawatt hours (MWh) of power in fiscal 2021.



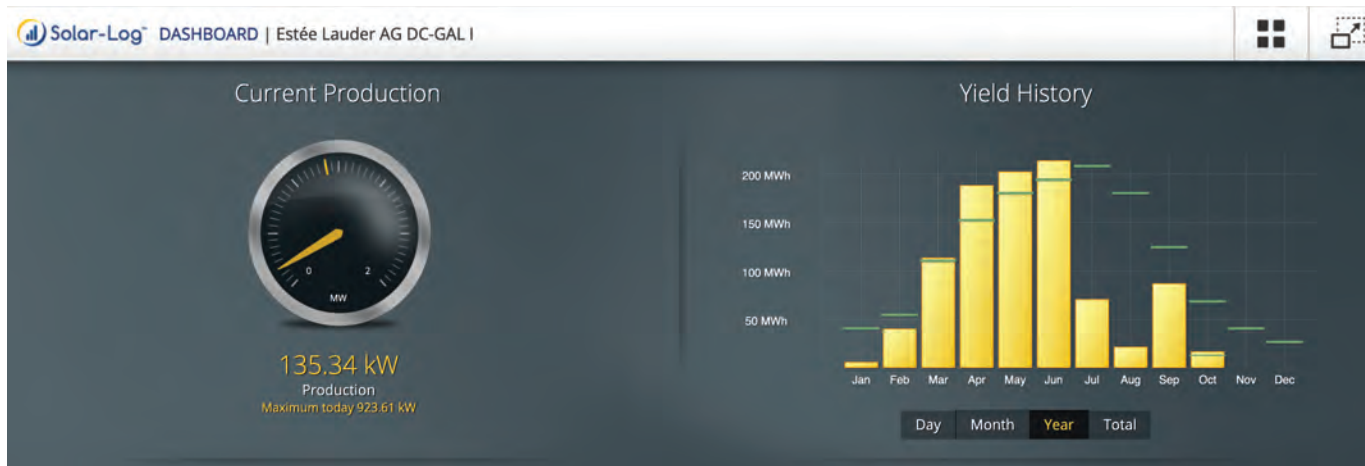
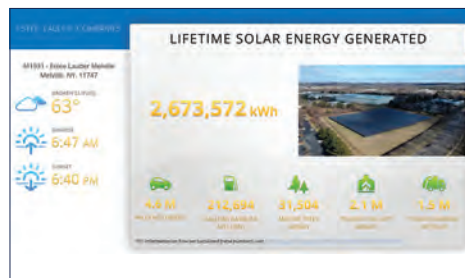
“  
*When large companies like The Estée Lauder Companies set their sights on an ambitious target, they can achieve huge change at a rapid pace. This is exactly the sort of leadership we need to see in the climate decade, as we work to halve global emissions.*  
 ”

HELEN CLARKSON  
 Chief Executive Officer, the Climate Group

### ENGAGING EMPLOYEES IN SOLAR PROJECTS

We are engaging employees in our journey to contribute to a stable climate and a healthy planet. On Earth Day, we launched an interactive feature on our intranet that allows employees to view real-time solar energy-generation data from the Company’s on-site solar arrays.

By accessing the link to each system’s solar dashboard, employees can view information such as the energy-generating capacity in MW of electricity and the real-time energy production in kilowatt hour (kWh) for each array. The data are displayed in daily, monthly, and yearly increments, as well as for the lifetime of the systems to date.



## RENEWABLE ENERGY PORTFOLIO

Our renewable energy portfolio reflects a variety of renewable technologies and approaches, including ground-mounted and rooftop solar and our Virtual Power Purchase Agreement (VPPA) for wind energy. We also purchase renewable energy credits (RECs) to offset emissions from electricity use.

### On-Site Solar Power

Installing solar technology at our new and existing sites is a key component of our strategy. For our owned and operated sites, we focus our solar installations on facilities that have the most potential for productive output, such as those with large rooftops or situated near vacant land. As of fiscal 2021, our total solar capacity is 5.7 MW. During the fiscal year, we generated more than 5,000 MWh of solar energy, which is equivalent to the amount of carbon sequestered by 4,300 acres of U.S. forests in one year.

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#### GALGENEN, SWITZERLAND

- Rooftop on the main distribution center structure
- Generated +1,309 MWh of solar power in fiscal 2021




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#### MELVILLE, NEW YORK, UNITED STATES

- Six-acre ground-mounted solar array at manufacturing plant
- Generated 1,700 MWh of solar power in fiscal 2021




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#### PETERSFIELD, UNITED KINGDOM

- On-site solar system at our Petersfield-based manufacturing plant
- Generated 803 MWh of solar in fiscal 2021
- Produced more than 2,900 MWh of clean electricity since it was activated in October 2017




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#### BLAINE, MINNESOTA, UNITED STATES

- Aveda manufacturing facility's 3.6-acre solar photovoltaic array
- Generated 1,307 MWh in fiscal 2021




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#### HILLMOUNT, CANADA

- Rooftop solar array on the warehouse roof structure of the manufacturing facility
- Anticipated annual production of 730 MWh
- Construction completed June 2021; system went live in July 2021





#### *REDUCING THE USE OF PLASTIC*

We have developed internal plastics guidelines in order to reduce the use of virgin and nonrecyclable plastic across our business, including within office environments. Learn more about our plastic-reduction efforts on page 91.

Our offices in Long Island City, Queens, New York achieved LEED Certification in fiscal 2021

## GREEN BUILDINGS AND RETAIL DESIGN

We have developed green building standards for our spaces, which include retail, office, manufacturing, distribution and warehouse, and research and development (R&D) sites. Our Green Building Standards are our roadmap to help ensure that new construction and major renovations incorporate green building principles into their design. The Standards set the baseline for practices covering energy, water, waste, and indoor air quality. We have also developed sustainability practices for existing spaces that are focused on driving sustainable behaviors.

### ACHIEVING LEED CERTIFICATION

In fiscal 2021, we achieved LEED Certification at two of our New York City offices. They include a recently renovated floor at our corporate headquarters in Manhattan and a floor at our offices in Long Island City, Queens.

## Green Building Certification

As part of our Green Building Standards, we have established a process to identify which of our sites should pursue green building certification. These certifications include LEED (Leadership in Energy and Environmental Design), the most widely used building certification program for environmental management, and WELL (a certification standard for ensuring the health and well-being of a building's occupants).

Our management-led Green Building Committee reviews progress toward the objectives laid out in our standards. The committee meets quarterly to make LEED and WELL certification decisions for new spaces. Criteria include square footage of the site and expected minimum length of occupancy, among other considerations.

## Sustainability Champions

In fiscal 2021, we appointed sustainability champions within our largest offices globally to help implement green office best practices and formally incorporated this responsibility into their personal development plans. Champions conduct benchmarking to identify areas for improvement and partner with key stakeholders at their local office to implement best practices. Champions are also encouraged to engage fellow employees in sustainability efforts through education and events.

In fiscal 2021, there were nearly 40 champions representing more than 35 offices worldwide. In the future, we plan to assign a sustainability champion for each new office opened or new floor acquired or renovated in a building.

## Retail Design

In fiscal 2021, we launched a set of Sustainability Practices for Retail Design to help brands, regions, functions, and channels to deploy sustainability practices for store design, visual merchandising, and retail spaces. The document outlines core and additional sustainability practices for new store design and visual merchandising.

## Visual Merchandising

Visual merchandising in our stores, as well as in department stores and other locations, is used to surprise and delight consumers by highlighting new products and trends. As a result, updates to these displays can be frequent. We have processes in place to help reduce environmental impacts, including:

- **Using recyclable or recycled content.** We leverage our materials scoring framework to select more sustainable materials by replacing virgin plastics with paper and materials that can be curbside recycled, as possible.
- **Designing for end of life in mind.** We design our displays using materials and fabrication methods for ease of disassembly and recycling.
- **Applying more responsible packing and transport practices.** We optimize packing and transportation design to reduce freight weight, which lowers our GHG emissions and packaging waste.

In fiscal 2021, we held a supplier sustainability day focused on innovative and sustainable solutions within the retail space for our internal teams and external stakeholders. Our objectives were to share our sustainability goals with our suppliers and understand how we can work collaboratively with them to innovate for new and sustainable solutions. We also invited suppliers to present forward-looking options to help us achieve our ambitions.



### MINIMIZING THE IMPACT OF MATERIALS

One of the biggest areas of environmental impact at stores and counters comes from the materials used to design and outfit the spaces. To help our designers make more sustainable choices when selecting furniture and finishes for retail spaces, we have developed a robust material scoring framework that provides a rating for each material. Scores are based on criteria such as material composition and human health and end-of-life considerations.





## VALUE CHAIN (SCOPE 3 EMISSIONS)

We recognize that a significant portion of our climate impact extends beyond the boundaries of our own operations. We are taking steps to understand and manage these impacts.

### CDP Supply Chain

CDP is a nonprofit that runs a global disclosure reporting system to provide information to investors about companies’ environmental impacts. CDP also enables companies to track the impacts of their suppliers through a supply chain-specific questionnaire. In fiscal 2021, we joined CDP Supply Chain and requested that more than 200 suppliers respond to the CDP Climate questionnaire. Collectively, these suppliers represent a significant amount of our total spend. We will use this supplier-provided data to help us calculate a portion of our Scope 3 footprint. In addition, we plan to use our suppliers’ responses to identify potential areas of opportunity and collaboration.

### Reducing Emissions From Our Online Business

Our products are sold globally through our own websites, third-party platforms, and websites of our retailers. In the past two fiscal years, our online business\* has nearly doubled, and we have continued to invest to support this growth. We have also strengthened and refocused our online sustainability strategy. One of the pillars of the strategy is emission reductions from transportation for direct-to-consumer sales made on our brand sites and third-party platforms.

In fiscal 2021, Aveda launched carbon-neutral shipping in the United States, procuring enough carbon emissions offset credits to cover online delivery emissions to consumers. This project built on the success of the fiscal 2020 pilot, which offset shipping during Earth Month. Taking the program global, Aveda launched carbon-neutral shipping in Belgium and the Netherlands in the fourth quarter of fiscal 2021.

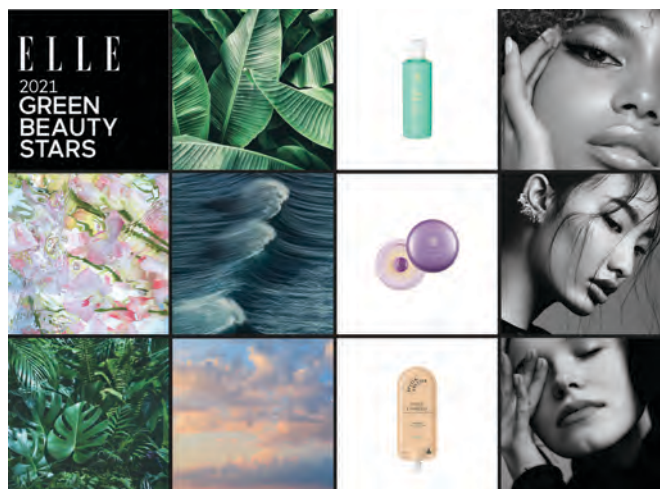
### Travel Retail Sustainability Goals

In fiscal 2021, we announced sustainability goals specific to our Travel Retail business. Travel Retail, which covers the world of duty-free environments including airports, downtown locations, airlines, cruises, and border shops, is one of our highest growth channels and touches more than 1 billion consumers a year.

In line with our company-wide sustainability goals, we identified emissions, waste, and energy as key priorities for Travel Retail based on industry need and potential impact. For example, by eliminating film-wrapping from the packaging of Travel Retail Exclusive Sets, we can avoid 54,000 kilograms (kg) of plastic waste—the equivalent of eliminating nearly 5.4 million 500 milliliters (ml) of plastic water bottles (based on fiscal 2020 sales volumes).

We are already making progress toward Travel Retail packaging and store design goals. In store design, the Estée Lauder, La Mer, and M·A·C counters at Hyundai COEX in Seoul, Korea, were built with, on average, 80% reused display fixtures, reducing waste and environmental impact while maintaining brand equity.

*Read more about our Travel Retail goals.* [🔗](#)



#### AWARD-WINNING SUSTAINABLE BEAUTY

In fiscal 2021, Aveda was recognized by *Elle* Magazine for its carbon-neutral shipping program, receiving a Green Beauty Star Award. The Green Beauty Star Awards honor companies, products, programs, and people innovating for a cleaner, greener, more sustainable beauty industry.

\*Online sales discussed throughout includes sales of our products from our websites and third-party platforms, as well as estimated sales of our products sold through our retailers’ websites.



## WASTE

Our facilities follow the waste-minimization hierarchy—reduce, reuse, and recycle—and look for opportunities to share best practices. If waste cannot be reused or recycled, it is converted to energy by licensed power plants or by co-processing at cement kilns. Our facilities manage electronic waste in accordance with our company policies that are based on applicable environmental regulations for recycling.

In fiscal 2021, we again achieved zero industrial waste-to-landfill for 100% of our global manufacturing, distribution, and innovation sites\*. Going forward, we plan to continue to maintain this commitment status.

### REDUCING PLASTIC PALLET WRAP

At our manufacturing and distribution facilities, pallets containing boxes are wrapped in stretch wrap film to prepare the boxes for shipment. The film is low density polyethylene (LLDPE) and, based on the location of the facility, there is not always a viable recovery option. We are addressing the use of plastic stretch wrap film with two pilot projects:

- In fiscal 2021, we began collaborating on a project with some members of the Ellen MacArthur Foundation Network to design and pilot a circular business-to-business (B2B) product protection solution for transporting bulk shipments that eliminates single-use plastic stretch wrap film. This cross-sectoral group is focused on researching and piloting three different pathways to eliminate single-use stretch wrap used in a linear path: replacing stretch plastic with a compostable film; implementing reusable materials for securing pallets; and improving the recovery of single-use, linear plastic-based film for higher value and closed loop recycling solutions. It is anticipated that the pilots and results will be detailed in a white paper to be published in spring of 2022.
- Additionally, we began piloting a sustainable load containment system that reduces the use of stretch wrap film by 30%. After using the system for one month in a busy distribution center, we were able to reduce stretch wrap film by 34% per pallet.

#### INNOVATING FOR REDUCED PRODUCT WASTE

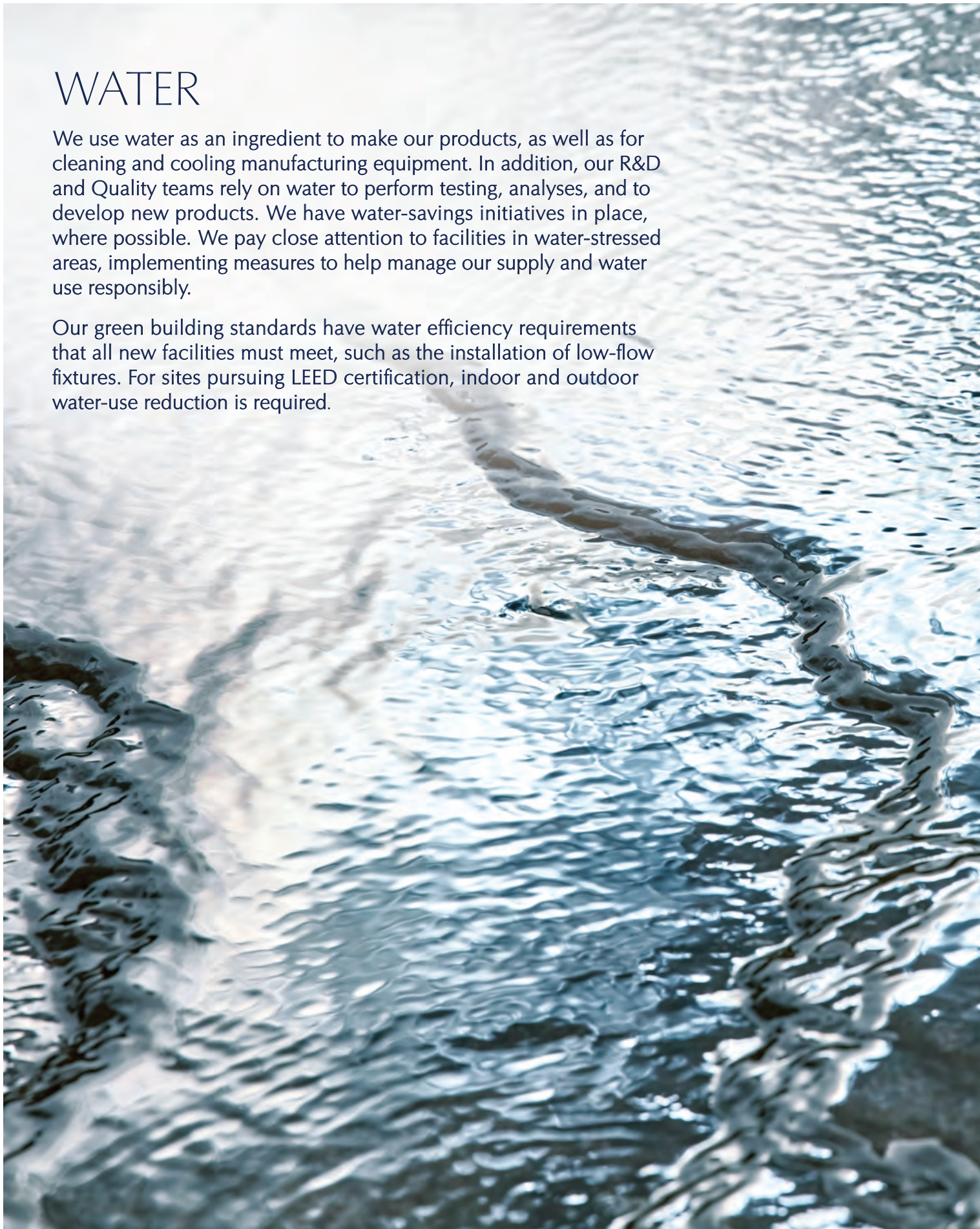
For nearly 10 years, we have worked with g2 Revolution, an organization that takes difficult-to-recycle items and finds new ways to reuse them. Nearly every one of our freestanding stores in the United States\* transfers their unsold products and testers to g2 Revolution, which then uses them as ingredients to make other products. In fiscal 2021, we were able to divert nearly 23,000 pounds of waste.

\*Does not include freestanding stores in California.

# WATER

We use water as an ingredient to make our products, as well as for cleaning and cooling manufacturing equipment. In addition, our R&D and Quality teams rely on water to perform testing, analyses, and to develop new products. We have water-savings initiatives in place, where possible. We pay close attention to facilities in water-stressed areas, implementing measures to help manage our supply and water use responsibly.

Our green building standards have water efficiency requirements that all new facilities must meet, such as the installation of low-flow fixtures. For sites pursuing LEED certification, indoor and outdoor water-use reduction is required.





In fiscal 2021, we developed a water stewardship strategy in alignment with the Alliance for Water Stewardship, an international organization committed to the sustainability of water resources. This strategy prioritizes our largest manufacturing facilities in water-stressed regions and is supported by an increased focus on efficiency and implementation of best practices for water management and capital projects. As part of the strategy, we:

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Updated the water risk assessment for our manufacturing sites and select innovation sites. The purpose of the assessment is to evaluate physical, social, and regulatory risks and water stress at the watershed level. We refreshed the baseline water risk screening assessment for our global manufacturing and innovation sites to reflect updated data in the World Resources Institute (WRI) Aqueduct Water Risk Atlas and to incorporate global subject matter expertise. The updated assessment confirms that our Melville, New York, facilities remain in a water-stressed region.

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Completed a source water vulnerability assessment at our Northtec campus in Bristol, Pennsylvania. The source vulnerability assessment examines the physical, regulatory, and social components of the local water supply and identifies potential vulnerabilities within the local watershed. Based on this analysis, the watershed and groundwater basin were determined to be adequate. There are occasional threats to the water supply from events such as droughts or severe storms; however, the assessment did not uncover persistent water availability concerns.

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Completed water conservation studies at our Agincourt and Whitman facilities in the United Kingdom to identify opportunities for efficiency, optimization, automation, and improved cleaning practices. These inputs inform facility water conservation plans.



Our 2020 CDP Water score was an A-, due in part to our efforts to expand our global water accounting and conduct a Source Water Vulnerability Assessment for our Melville campus (in fiscal 2020), among other initiatives.

*Read more about our approach to water management in our CDP Water response.* [🔗](#)

SUSTAINABILITY

# *RESPONSIBLE SOURCING*

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WE SOURCE INGREDIENTS AND MATERIALS  
FROM AROUND THE WORLD.

Our teams work diligently to source ingredients responsibly and with attention to potential impacts on people and environment. We aim to continuously strengthen our sourcing practices while remaining sensitive to the local communities in which we operate.

# OUR MANAGEMENT APPROACH

The success of our responsible sourcing efforts depends on collaboration with our wide and diverse network of global suppliers. We aim to develop long-lasting, trusting, and mutually beneficial relationships with suppliers that share our strong values and demonstrate the same commitment to operating responsibly and ethically.

Our Responsible Sourcing team is part of our Global Procurement function and works closely with the Research and Development (R&D), Global Corporate Citizenship and Sustainability, Packaging, and Legal functions. The team establishes, implements, and monitors environmentally and socially responsible and ethical sourcing practices to ensure that performance is aligned with our goals and objectives. We collaborate with our brands, suppliers, industry groups, and peers to continuously advance our practices.

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## SUPPLIER DIVERSITY

As an inclusive and diverse company, we are focused on broadening our purchasing choices to better support suppliers representing LGBTQIA+, veterans, ethnic minorities, and people with disabilities, among other populations. Additionally, we have placed a specific focus on women- and Black-owned businesses. Our objective is to help drive economic development and growth of diverse and small businesses in the supplier base.

Our membership in international, national, and local advocacy groups allows us to contribute to the social and economic advancement of diverse businesses. We are members of the following organizations, which help us to expand our network of opportunities:

- **National Minority Supplier Development Council**, a membership association that advances business opportunities for certified minority business enterprises and connects them to corporate members.
- **The Women's Business Enterprise National Council**, a nonprofit organization dedicated to helping women-owned businesses thrive.
- **WEConnect International**, a global network that connects women-owned businesses to qualified buyers around the world.

In fiscal 2021, we further invested in this work by appointing a Director of Supplier Inclusion and Diversity dedicated solely to supplier diversity. This role is responsible for expanding our network of diverse suppliers, leveraging our association memberships, and driving progress toward our supplier diversity commitments.

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## SUPPLIER CODE OF CONDUCT

Our *Supplier Code of Conduct* (the Code) is the foundation of our Responsible Sourcing program. It outlines our expectations for suppliers with respect to human rights, the rights of indigenous peoples, and local communities, as well as the workplace. The Code is organized into three sections:

- Engage in lawful and ethical business practices
- Promote a respectful, fair, and diverse workplace
- Provide a safe, healthy workplace and protect the environment and community.

It covers areas including Confidentiality and Privacy, Fair Competition, Child Labor, and Forced Labor, among others. To meet the needs of our diverse and global network of suppliers, the Code is available in several languages.

One of our Responsible Sourcing Program requirements is for suppliers to acknowledge the Code. Currently, suppliers representing more than 95% of our direct spend have done so. Direct suppliers are those that provide raw materials, ingredients, packaging, and Third-Party Manufacturing to the Company.

In addition to the Code, our Supplier Sustainability Guidelines provide suppliers with practical actions they can take to manage the environmental and social impacts of their own operations. These Guidelines help them to build on the foundation of the Code requirements and move towards implementing improved practices in sustainability.

*Download the [Supplier Code of Conduct](#) and [Supplier Sustainability Guidelines](#).*

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### DIVERSE SUPPLIER SPEND

**\$217M** | Spend with diverse and / or small suppliers in fiscal 2021

**\$22M** | Spend with Black-owned businesses in the United States

## SUPPLIER EVALUATION AND MONITORING

We monitor our suppliers to ensure adherence to the Code and pay careful attention to potential risks. We conduct risk assessments and perform due diligence on select direct and indirect suppliers. We also monitor supplier performance and implement corrective action plans as needed.

We use EcoVadis, an online ratings service, to help us assess suppliers on environmental impact, labor and human rights, ethics, and sustainable procurement practices. The tool ranks suppliers with numerical scores that reflect the maturity level of their sustainability programs, practices, and initiatives. In fiscal 2021, we rolled out the platform to more than 180 additional suppliers, bringing the total number of direct and indirect suppliers using it to more than 750.

We require our key strategic partners to achieve an “advanced” score and expect other suppliers to achieve at least a “satisfactory” score. We engage with suppliers who do not achieve a “satisfactory” score to help them improve, and we reassess them each year until they meet the “satisfactory” requirement. In fiscal 2021, more than half of strategic suppliers improved their EcoVadis scorecard performance from their previous assessment.

## SUPPLIER RISK ASSESSMENT

We risk-rank suppliers globally based on pre-established criteria, such as the location of the operations, type of material being sourced, and potential impact to our business. Based on the risk ranking of the supplier, we conduct additional due diligence using third-party audits and assessments, including on-site audits. To help us determine country risk, we use a third-party company that assesses each country based on its approaches to social impact and sustainability topics including environment, health and social issues, corruption, and human rights risks.

## INDIRECT SUPPLIERS

As we deepen our commitment to responsible sourcing, we have furthered our efforts to include our indirect supply chain. Our indirect supply chain is composed of suppliers who sell us goods and services not directly used in the manufacturing of our products.

We have extended our supplier risk assessment to include our indirect suppliers and apply criteria such as the type of goods or services being procured, the location of the operations, and the supplier’s annual spend. Based on the risk ranking of the supplier, we conduct additional due diligence using third-party audits and assessments.

In fiscal 2021, we rolled out the EcoVadis platform to select indirect suppliers to support evaluation and monitoring. Leveraging our supplier risk assessment, we plan to extend additional invitations to suppliers (both direct and indirect) in the coming years to provide insights into their operations through EcoVadis. We are focused on follow-up and education to help indirect suppliers understand the importance of the tool and the value it brings in establishing a foundation for improving their environmental and social performance.

## PROGRESS TOWARD OUR GOALS

### GOAL:

*As part of our continuous efforts to address issues that may exist within complex supply chains, by the end of calendar year 2025 we will have identified sensitive ingredient supply chains and developed robust biodiversity and social action plans for them.*

We have identified a number of ingredients as priorities and have developed and are implementing biodiversity and social action plans. As part of our ongoing review, we continue to develop and implement action plans as per our prioritization process. More than 90% of our spend with suppliers of sensitive ingredients is covered under EcoVadis, providing enhanced visibility into the environmental and social performance of these suppliers.

100% | Percentage of new suppliers\* screened using environmental and social criteria in fiscal 2021

100% | Percentage of strategic suppliers\*\* screened using environmental and social criteria in fiscal 2021

52 | Number of third-party on-site supplier audits conducted in fiscal 2021

\*Suppliers are those that provide direct raw material, ingredient, packaging, and Third-Party Manufacturing to ELC. Figure does not include indirect suppliers. May not include all new suppliers for recently acquired businesses.

\*\* Strategic suppliers include those that are highly critical suppliers with broad and unique capabilities, proven value creation in one or multiple pillars, and highest level of collaborative partnership. These suppliers comprise more than half of ELC direct spend. Figure does not include indirect suppliers.



## SOURCING KEY INGREDIENTS

We develop our products from a diverse portfolio of ingredients. We manage our portfolio thoughtfully with respect to the social, environmental, and economic implications of our sourcing.

We use more than 4,000 ingredients in manufacturing our products. We have a process to identify and prioritize sensitive ingredients for which we believe it would be beneficial to develop biodiversity or social action plans. A sample of the ingredients for which we have developed actions plans include Australian sandalwood, mica, palm, shea and vanilla.

While the biodiversity and social action plans vary depending on the ingredient, examples of actions we are taking include, but are not limited to:

Consolidating spend with strategic suppliers who promote best practices regarding biodiversity preservation and social impact programs

Piloting proof-of-concept projects to address traceability (e.g., blockchain) while evaluating opportunities to scale up these projects for greater impact

Implementing projects to positively impact sourcing communities (addressing social, environmental, and market challenges)

Exploring certification options and other applicable third-party schemes for relevant ingredients

Leveraging EcoVadis to continue to enable suppliers to improve their performance



### SUPPORTING WOMEN IN THE SUPPLY CHAIN

In fiscal 2021, we completed a two-year program as part of the HERproject to strengthen and improve conditions for female workers at two of our packaging suppliers in China. The program included training sessions and workplace interventions that targeted health and gender equality goals. As part of the program, 2,000 individuals were trained, including 1,500 women and 68 peer educators.

At the close, participants were surveyed to measure impact of the program. Results showed increased awareness of key health issues and health behavior, including recognizing adverse pregnancy symptoms and understanding the importance of regular self-examination for breast cancer.

Participants also showed an increase in positive attitudes towards gender equality issues such as equal delegation of household chores. Self-esteem and confidence in communication also improved, which is beneficial for both the individual employee and for the performance of the whole factory. We are currently assessing additional suppliers to determine where we can implement similar manufacturing-based programs.

*“We think all women would enjoy being part of this program. It’s beneficial from a health perspective and the activities enrich the workplace experience.”*  
 –HERproject participant



## SHEA

Shea butter is an important ingredient in many of our products, used as a softening and moisturizing agent. It is often listed on our ingredients label as *Butyrospermum Parkii* (Shea Butter), in reference to the tree that produces the shea nut. Shea trees grow naturally in the wild in central Africa, and shea nuts are typically harvested by women.

In fiscal 2021, we joined the Global Shea Alliance, a nonprofit industry association that promotes sustainability, quality practices, and standards for shea in food and cosmetics. Building on our long-held commitments to both women and sustainability, we are dedicated to engaging in industry collaboration to help generate positive impact on the ground.



## HERproject

HERproject is an initiative that focuses on empowering women who work within supply chains. It is organized by BSR, a global nonprofit business network and consultancy dedicated to sustainability. Building on a successful two-year HERproject program that we completed in our packaging supply chain in fiscal 2021, we are expanding the program with BSR into agriculture, targeting shea.

Women involved in agriculture in many countries may face challenges related to access to and control over resources, training, and education. HERproject is addressing these needs by empowering and building the capacity of women. The program also strengthens cooperative capacity (between men and women) to support women producers.

The model is being developed and piloted in Ghana through a grant from The Estée Lauder Companies Charitable Foundation. The program will draw on existing HERproject curriculum modules such as gender awareness, communication skills, problem solving, financial planning, and taking care of one’s health. The objective is to develop a bespoke HERproject model for the agricultural sector that may serve as a blueprint across our ingredients, as well as become available to the wider beauty industry.



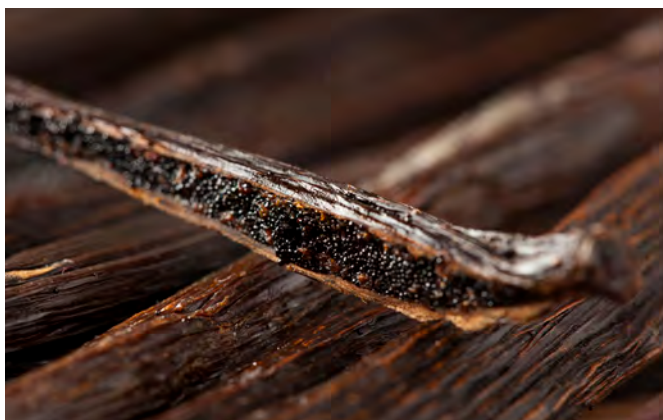
“  
*BSR’s HERproject is proud of the evolution of our partnership with The Estée Lauder Companies’ Charitable Foundation (ELCCF). ELCCF’s support enables HERproject to enter new frontiers, deepen our work, and empower more women in global supply chains. Our collaboration in Ghana represents the first expansion of HERproject into West Africa and the ingredient supply chain connected to the beauty industry; and it underscores The Estée Lauder Companies’ commitment to responsible sourcing and to empowering women in its supply chain.*  
 ”

CHRISTINE SVARER  
 Director, HERproject, BSR

## VANILLA

We seek to increase transparency and traceability within our most complicated and sensitive supply chains, such as vanilla, which we use as a fragrance in products across our portfolio. In fiscal 2021, we completed the second year of a pilot program in which our Responsible Sourcing team and Aveda used blockchain technology to trace our Madagascan vanilla supply chain from harvest through production. Using digital ID cards, unique identification codes via a QR reader, and mobile phones, product and producer information was recorded on a blockchain, forming a traceable chain of custody.

In September 2021, Aveda launched a consumer facing website experience to explain blockchain and why it matters, as well as show the journey of their blockchain vanilla from Madagascar to France to Minnesota via a mapping tool.



## MICA

Mica is used in some cosmetics to provide a pearlescent effect. We continue to engage with stakeholders in India to address the risk of child labor in the mica supply chain. For example, since 2005, we have partnered with the Kailash Satyarthi Children's Foundation (KSCF). KSCF works to eliminate child labor in India by partnering with local communities to develop proactive and sustainable solutions, including through the creation of Bal Mitra Grams or Child Friendly Villages.

In fiscal 2021, our work with KSCF pivoted in response to the devastating impact of COVID-19 within India, allowing resources to be redirected to meet the immediate needs of children and families impacted by the pandemic. Read more on page 49.



### RESPONSIBLE SOURCING OF FOREST COMMODITIES

Our No Deforestation, No Peat, No Exploitation (NDPE) Policy explicitly outlines our expectations for our raw material suppliers regarding no deforestation and no conversion. The 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.](#)

We have begun a due diligence process to ensure compliance with the policy, in addition to conducting key commodity supplier assessments. These assessments will further inform commodity-specific action plans for specific ingredients. In fiscal 2021, we published our *Palm Action Plan*.

In addition to maintaining forestry standards for our manufactured products, we have a goal calling for 100% of our forest-based fiber packaging cartons to be FSC-certified by the end of calendar year 2025. Learn more on page 87.

Our brands also support environmental causes, including a commitment to help safeguard the health of forests for future generations. For example, Origins has long supported environmental nonprofit organizations that support tree planting efforts, help restore ecosystems, benefit local communities, and fight climate change. Read more on page 51.

*For more information about our assessment of risk and response to forest-based commodities, please read our response to the CDP Forests Questionnaire.*

## PALM OIL

Palm oil derivatives are an important ingredient used in many of our formulations. Palm oil derivatives refer to the final ingredients created from palm oil that are used in our products, such as surfactants, emulsifiers, and emollients. They are odorless, with a smooth and creamy texture that makes them a beneficial ingredient to use in our formulations.

In calendar year 2020, we purchased approximately 3,600 metric tons of palm oil-based derivatives, which represent less than 0.01% of the world's annual production of palm oil-based derivatives. While this amount makes us 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. Currently, 100% of our purchased palm-based ingredients are certified to Roundtable on Sustainable Palm Oil (RSPO) standards for sustainable production\*.

### *ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)*

We have been a member of RSPO, the leading convening body that develops and sets the standards for sustainable palm oil and enables palm oil certification, since 2014.

We are also signatories to the RSPO's North American Sustainable Palm Oil Network (NASPON) Charter Agreement. NASPON is a multi-stakeholder platform to collaborate, educate, inform, and build momentum to help North American companies make and deliver on commitments to source sustainable palm oil.



## SUSTAINABLE PROCUREMENT

We strive to source our palm-based ingredients responsibly and sustainably with respect for local communities and the environment. We do this by procuring ingredients from suppliers that can demonstrate adherence to the principles outlined in our Supplier Code of Conduct and our No Deforestation, No Peat, No Exploitation (NDPE) Policy. *Read our NDPE Policy here.* [🔗](#)

We assess compliance with these policies through supplier performance, increased traceability, and third-party certification to RSPO's Principles and Criteria. We communicate our progress with respect to sustainable palm oil procurement on a yearly basis through the *Annual Communication of Progress* (ACOP) in accordance with RSPO requirements. [🔗](#)

### Working with Third-Party Manufacturers

We have communicated to our Third-Party Manufacturers (TPMs) our expectation that they use palm-based ingredients that are from an RSPO physically certified sustainable source (Mass Balanced, Segregated, or Identity Preserved). By influencing our suppliers, we make progress toward our goals and help promote a stable and sustainable palm supply chain for others

## MONITORING AND TRANSPARENCY

We are a founding member of Action for Sustainable Derivatives (ASD). This alliance of brands and suppliers aims to address responsible sourcing in the complex palm derivatives supply chain by collaborating to harmonize approaches on transparency, risk monitoring, and evaluation. Through our membership in ASD, we are 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.

Additionally, through our ASD membership, we are able to leverage the dynamic monitoring of our traced supply chain through a shared grievance dashboard. Once a grievance is filed, the reports are reviewed and investigated. If substantiating evidence in support of a grievance is found, the grievance will be addressed through industry collaboration or through our own individual action as a company.

### *WE PLAN ON CONTINUING OUR MONITORING AND TRANSPARENCY EFFORTS BY:*

- tracing our palm supply chain to achieve increased traceability to the mill and beyond
- driving industry alignment through our partnership with ASD
- contributing to shared monitoring of risk, grievances, and continuous improvement plans, as needed.



## PROGRESS TOWARD OUR GOALS

### GOAL:

*By the end of calendar year 2025, at least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved, or Segregated).\**

In calendar year 2020, 71% of our palm-based ingredients\* were certified sustainable from RSPO physical supply chains (Mass Balance and Identity Preserved). In total, 100% of our palm-based ingredients\* are certified under one of RSPO's four certification types: Mass Balance, Identity Preserved, Segregated, or Book & Claim. We are on track to meet our goal of 90% RSPO certification from physical supply chains by end of calendar year 2025.

\*Excludes palm-based ingredients not directly procured by The Estée Lauder Companies, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.

### ENHANCED VISIBILITY THROUGHOUT THE PALM VALUE CHAIN

- 79% | of our palm derivative volume is traceable to the mill level.
- 28% | of our palm derivative volume is traceable to the plantation level.
- 8% | increase in transparency of our palm supply (from 71% to 79% volume traceable to mill).

## COMMUNITY ENGAGEMENT

More than 3 million smallholder farmers 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. Effectively addressing the challenges related to inclusive sustainable palm sourcing requires collaboration among governments, civil society, local communities, and private enterprise.

We are 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. Initiatives include:

### PURCHASING INDEPENDENT SMALLHOLDER RSPO CREDITS

Independent smallholder RSPO credits provide farmers the means to participate in the global sustainable palm oil market. Purchasing smallholder credits provides farmers an opportunity to receive a premium for the sale of sustainable palm, which provides them with additional funds to further invest in their businesses and communities.

To support smallholder farmers, we increased our purchase of RSPO Independent Smallholder credits to represent just over 29% of our annual palm volumes in 2020 (up from 25% in fiscal 2020). Through these purchases, we supported groups containing more than 2,200 independent smallholder palm oil farmers in Indonesia and Malaysia.



### PROJECT LAMPUNG

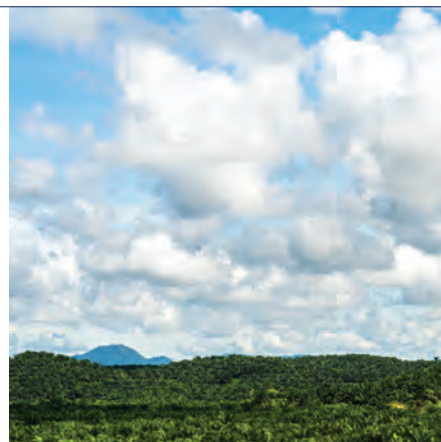
In 2019, we launched Project Lampung in partnership with Solidaridad, a global NGO; BASF, a long-term supplier; the Roundtable on Sustainable Palm Oil; Business Watch Indonesia; and the Indonesian Agency for Agricultural Extension, a local farmers association, to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods.

A key component of the project includes the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers. While the training program was delayed due to COVID-19, more than 50% of farmers participated in Farmer Field School training in fiscal 2021, with the remaining farmers to be trained by the end of calendar 2021, pending COVID-19 restrictions.



### MOSAIK INITIATIVE

In fiscal 2021, The ELCCF approved and initiated a grant to ASD 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 nongovernmental organization partner Institute Penelitian Inovasi Bumi (Inobu).



*Read more about palm oil on our website.* [🔗](#)



SUSTAINABILITY

# *PRODUCT FORMULATION*

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AS THE LEADER IN PRESTIGE BEAUTY,  
WE ARE FOCUSED ON CREATING THE  
WORLD'S MOST-BELOVED PRODUCTS.  
WE ARE COMMITTED TO PROVIDING  
CONSUMERS WITH EXCEPTIONAL  
PERFORMANCE AND LUXURY COUPLED  
WITH UNCOMPROMISING SAFETY  
AND QUALITY.

We uphold the highest standards for safety and  
efficacy in our products, while incorporating sustainable  
practices across our formulation processes.



# OUR MANAGEMENT APPROACH

Consumers around the world trust our brands to deliver the best beauty performance and to do so safely. We are committed to formulating with people and the planet as our priorities, considering safety, performance, sustainability, green chemistry, and overall well-being throughout the product development process. We rely on the deep expertise of our scientists and researchers to bring our innovative products to market using advanced methods of development.



Our Research and Development (R&D) department is responsible for product formulation. Within R&D, our Product Formulation team oversees all facets of formulation including ingredient selection, formula design, and qualification. Our Product Safety and Regulatory Affairs team manages ingredient and product safety, including management of our Safety Review Process. Green chemistry is integrated into our formula design efforts with Product Formulation and Product Safety and Regulatory Affairs partnering closely to enable this work across our portfolio.



# PRODUCT SAFETY PHILOSOPHY AND PROCESS

We evaluate each product for safety. We employ a sophisticated evaluation plan that incorporates a selection of relevant tools, including, for example, a suite of tests such as stability, sensory, safety-in-use, and clinical tests, as well as ophthalmologist and dermatologist testing. Our integrated global R&D network constantly works to advance modern, scientific cosmetic testing methodologies.



## SAFETY REVIEW PROCESS

When we first begin to consider using an ingredient, we evaluate it to be sure that it meets our safety standards and the requirements of governmental, regulatory, and scientific bodies around the world. We then study all aspects of the ingredient. If needed, experiments are conducted in state-of-the-art in vitro tests and/or computer-based models to further inform our understanding of the ingredient's safety profile.

This ingredient information guides us as we formulate our products. We then evaluate the formula itself to assure the safety of the full formula, while comparing it to similar formulas within our extensive database of clinical and safety data. Additional clinical and in vitro testing may also be conducted among volunteer panels to further confirm safety.

Once the cosmetic formula meets our safety and quality standards, it is placed on the market for our consumers to enjoy. We continuously monitor feedback from our consumers, allowing us to understand the impact of our products as they are being used.

We seek to advance best practices within the industry and enhance our collective knowledge of cosmetics and cosmetics ingredients.

- We are members of the Personal Care Products Council, which supports the work of the Cosmetic Ingredient Review.
- We also support the International Cooperation on Cosmetics Regulation.

## ANIMAL TESTING

We have worked globally to establish that product safety for cosmetics can be determined via nonanimal, modern, and scientific evaluation and methods—leveraging deep knowledge of toxicology, skin biology, historical and current data, and evaluations of cosmetic ingredients, while utilizing the most up-to-date scientific methodologies, in silico, in vitro, and clinical. More than 25 years ago, we began using synthetic skin technology to evaluate the effects of products on human skin and have been updating our methodologies ever since.

The Estée Lauder Companies was one of the first cosmetics companies to eliminate animal testing as a method of determining product safety. We don't test our products on animals, and we don't ask others to test for us. We acknowledge our brands are sold in countries where animal testing of cosmetics or cosmetic ingredients is required by law.

We believe it is our responsibility to contribute to the sustainable solution to end animal testing for cosmetics and are proud to work with organizations advocating for practical solutions and acceptance of alternatives to cosmetic animal testing. We invest in university research programs, industry consortiums, and nonprofits that champion a collaborative and effective approach. For more information on our Animal Testing policies, *please visit our website.* [↗](#)

## SERVING OUR DIVERSE CONSUMERS

Products developed for our large portfolio of brands are designed to reflect the desires and preferences of our diverse global consumers. We continuously innovate in our product and experience design, with particular focus on formulation philosophy and aesthetics, including consideration for locally relevant, organic, or vegan ingredients, among others. We design and adapt our product portfolio to the diversity of skin and hair physiology, tone, and types across skin care, hair care, and makeup for the most relevant and engaging selection of products.

### AVEDA TRANSITIONS TO 100% VEGAN FORMULAS

Inspired by the brand’s mission of care, fiscal 2021 marked a groundbreaking chapter in the evolution of Aveda: All of the brand’s hair care, hair color, body care, makeup, and aroma formulas are now 100% vegan. At Aveda, vegan formulas are those created without any animal-derived ingredients.

Aveda believes that its mission should be most clearly represented through its products, which is why formulating high-performance, 100% vegan formulas is of chief importance. It is also important to consumers, many of whom see the brand as a pioneer in responsible beauty. Aveda has been cruelty free since its inception in 1978 and strives to set an example for environmentally conscious leadership.

## AN INCLUSIVE PORTFOLIO

### *Skin Tone Color Palettes*

**Bobbi Brown: Individual Beauty** - In 1992, Bobbi Brown Cosmetics changed the face of beauty with its launch of a Foundation Stick that was intentionally created to enhance a variety of skin tones. The brand’s continued focus on undertone—the colors beyond the surface that form everyone’s unique skin color—has made Bobbi Brown Cosmetics a longtime leader in offering inclusive shades. By embracing inclusivity from the start, Bobbi Brown set a new standard for diversity in beauty.

**M·A·C: Studio Fix Fluid** - Making products inclusive of all skin tones has always been a priority for M·A·C. The brand originally developed its iconic Studio Fix foundation more than 30 years ago to better support models with melanated skin at fashion shows. Studio Fix originally had a shade lineup of more than 40 products ranging from dark to light and developed for a range of skin undertones. It now includes more than 60 shades and the brand continues to update its palette to meet its diverse consumer needs.



### *Hair Care Formulation*

**Bumble and bumble** continues to expand its offerings for all hair types, textures and style preferences. When reformulating its Curl Collection, the brand did extensive research with consumers of all curl patterns and enlisted expert stylists and influencers to ensure peak performance. Bumble and bumble also partnered with NOBLE, the ELC Black Employee Resource Group (ERG), to conduct focus groups and test products. The result is a line of products with curl-loving oils and butters that caters to all curl patterns and addresses key needs for curly consumers.



### *Skin Care Formulation*

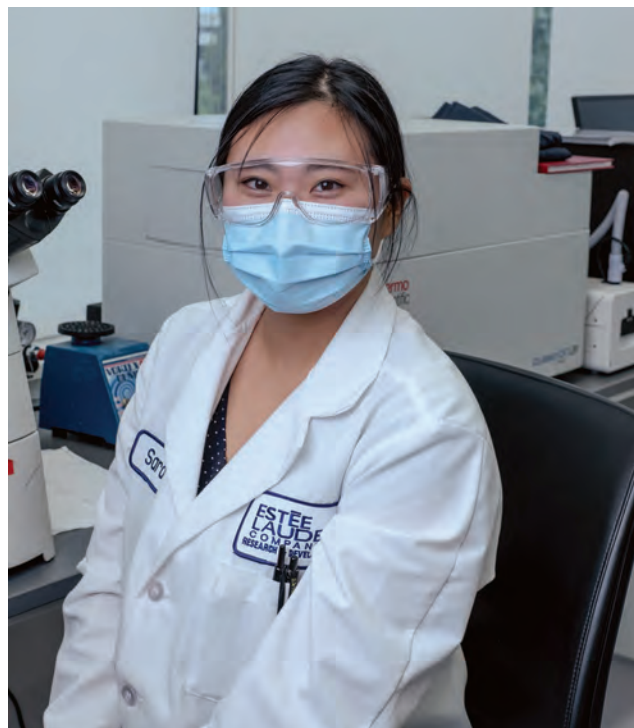
**The Estée Lauder brand** is committed to developing advanced skin care products that are effective across diverse ethnicities and skin tones. In formulating its radiance-boosting serum, the brand conducted multi-ethnic clinical and sensory testing to help affirm that *Perfectionist Pro Rapid Brightening Treatment with Ferment 2 + Vitamin C* serves a diverse range of consumers.



# GREEN CHEMISTRY

We incorporate green chemistry principles in our product development process. We have spent many years collaborating with experts in the field, assessing our own internal capabilities, and developing tools to enable our teams to seamlessly leverage green chemistry in their daily work.

Our approach encompasses ingredient scoring, ingredient innovation, and product design. Along side these processes, we focus our efforts on our talent. We continually train and empower our chemists on green principles and practices so that our collective mindset is to strive for improved green chemistry performance.



ELC employee at our Research Park facility in Melville, New York

## GREEN SCORE PROGRAM AND GREEN FORMULA DESIGN FRAMEWORK

Our Green Score program provides a quantifiable method for our formulators to benchmark and inform their formulation choices based on the principles of green chemistry, specifically through the lenses of human health, ecosystem health, and the environment. We have assigned green scores to thousands of our active ingredients and formulas.

To design a finished product with a favorable green score takes skillful product formulation capabilities. Our Green Formula Design Framework helps our formulators understand the nuances of combining ingredients based on their green scores. It enables them to better evaluate green chemistry improvements for formulas while continuing to create the high-performance products that our consumers expect.

With the Green Score program now integrated across our product development process, we have visibility into the green score for new product launches. This data are providing valuable insights that are guiding the evolution of the program.



## GREEN CHEMISTRY AND OUR VALUE CHAIN

We continuously seek to advance our efforts for the benefit of our consumers and the business. Our green chemistry work to-date has been focused on the formulations and ingredients over which we have direct control. Our approach has been to gain a thorough and strategic understanding of our own impacts before expanding into areas beyond our immediate sphere of influence.

At the same time, we are committed to working with our suppliers, Third-Party Manufacturers, and newly acquired businesses to inspire their work and promote transparency within the personal care products industry. To this end, in fiscal 2021, we began engaging with suppliers to understand how to better incorporate all ingredients into our Green Score program.

### SCIENTIFIC ADVISORY BOARD

We embrace a collaborative approach to green chemistry and work alongside other experts to advance the application of green chemistry principles across industries. In fiscal 2021, we established a scientific advisory board to ensure that we benefit from, and contribute to, cutting-edge science from around the world. The board is composed of external experts from academia representing key global regions, including China, and with a reputation of excellence in green chemistry.

The scientific advisory board meets annually to provide feedback on our green chemistry methodology, research, and strategy. The creation of the board is part of our overall commitment to rigorous scientific credentialing, which also encompasses publishing in peer-reviewed journals, partnering with universities, and filing for patents (where appropriate).

### ISO 16128: % NATURAL AND % NATURALLY DERIVED

Formulating against external standards can be a helpful way to align to well-established frameworks that are recognized and understood by others. One example is the International Standards Organization (ISO), which provides guidance for cosmetic formulators on how to calculate the percentage of natural and naturally derived ingredients in their products through the ISO 16128 standards.

We have developed and implemented standard operating procedures to formulate using these standards. We have also developed a self-service formulation tool and training program for our formulators. By the end of fiscal 2021, we had scored more than 6,200 formulas against the ISO 16128 standards.

Our brands have been engaged with this process, with Aveda providing the groundwork for developing and leveraging these standards across the Company. Our other brands are leveraging this work and exploring the use of ISO 16128 for ingredient selection and formulation strategy. For example, in fiscal 2021, the Estée Lauder brand launched its Supreme Bright collection, now formulated with 99% naturally derived Beautyberry Extract and Vitamin C.



### MOVING TO BIO-BASED BUTYLENE GLYCOL

Butylene glycol (BG) is a clear, odorless liquid that helps ensure product stability over a wide range of temperatures, improves application, and provides moisturizing properties. We use BG across our portfolio, in both skin care and makeup products.

In many cases it requires more energy to create synthetically derived BG than bio-based BG, due to increased reliance on natural gas during production processes. Synthetic BG also utilizes petroleum-based solvents, while bio-based BG is primarily derived from natural ingredients, such as corn. Bio-based BG offers a more favorable green chemistry profile.

As part of our commitment to green chemistry, we've partnered with Genomatica, an innovative ingredient supplier, who has created a one-step fermentation process that converts renewable plant sugars into a high-purity, bio-based BG. Genomatica won a U.S. Environmental Protection Agency Green Chemistry award in 2020 for its pioneering fermentation techniques.

In fiscal 2021, we began to use this bio-based BG in Dr. Andrew Weil for Origins™ Mega Mushroom Treatment Lotion, one of the brand's most popular products. We will continue to innovate with this new ingredient during our developmental process for products that use BG.



## OUR INGREDIENTS

We select our ingredients for many reasons, including safety, efficacy, and sustainability. We work diligently to ensure that our products are formulated to meet the requirements of governmental and regulatory bodies and scientific standards wherever we sell our products, as well as our own high-quality standards.

We achieve these high-quality and safety standards through rigorous selection and evaluation of the ingredients that we use in our formulations and through careful consideration of what we don't use, even if permitted by regulatory authorities. We are confident in the safety and efficacy of our products and the ingredients we use.

### *PROGRESS TOWARD OUR GOALS*

**GOAL:**

*We will develop a glossary of key ingredients that includes descriptions of the ingredients' purpose and will make this information available online by the end of calendar year 2025.*

We are committed to increased transparency about the ingredients in our products. In fiscal 2021, seven brands—Bobbi Brown, Bumble & bumble, Estée Lauder, Editions de Parfums Frédéric Malle, GlamGlow, M·A·C, and Smashbox—published ingredient glossaries on their websites, bringing our total to 11 (Aveda, Origins, Clinique, and La Mer released ingredient glossaries in fiscal 2020).

## TRANSPARENCY

Our ingredient palette is comprised of thousands of materials. We fully support providing more information to our consumers about the ingredients in our products and are developing new ways to share ingredient information.

We have also published information on our corporate website pertaining to ingredients we use in some of our products that are of interest to consumers, including: preservatives, phenoxyethanol, EDTA, and BHT. We plan to update our corporate website with additional ingredient information in the future. Our brands also leverage this information and may choose to link directly to it from their brand sites.

*Please visit our [Ingredient Philosophy](#) page to learn more.* [↗](#)

### INGREDIENT GLOSSARIES

Our brands engage with consumers seeking product information through online ingredient glossaries. These glossaries enable consumers to learn more about the key ingredients in the products they love, the reasons behind the uses of those ingredients, and their benefits.

An additional seven brands launched ingredient glossaries in fiscal 2021, joining four brands that published glossaries previously. Additionally, some brands, including Aveda, Bobbi Brown, Estée Lauder, Smashbox, and La Mer, have made their glossaries “shoppable”—enabling consumers to purchase products containing specific ingredients directly from the glossary itself.

Consumers have responded positively to the glossaries. For example, those who visited the glossary page on Origins’ website spent three times more time on the site overall than those who didn’t; and visitors to the Bobbi Brown glossary viewed more than 25% more pages than those who didn’t view the glossary.



### CLEAN BEAUTY

At The Estée Lauder Companies, we are dedicated to helping our consumers make beauty choices that are right for them. We are committed to increased transparency about the ingredients in our products, and we strive to formulate our products with safe ingredients that create the best results.

There is no standard definition of clean beauty. Rather, brands and retailers define clean beauty in many ways; for example, by what ingredients are not included in a formula. At The Estée Lauder Companies, some of our brands choose to formulate without certain ingredients as part of their clean product positioning.

SUSTAINABILITY

# *PACKAGING*

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THE ICONIC PACKAGING ASSOCIATED WITH OUR BRANDS HELPS US DELIVER A HIGH-TOUCH LUXURY EXPERIENCE. AS WE INNOVATE TO REDUCE OUR ENVIRONMENTAL IMPACT, WE HAVE A UNIQUE OPPORTUNITY TO HELP THE PRESTIGE BEAUTY SECTOR DEFINE WHAT MORE SUSTAINABLE PACKAGING LOOKS LIKE FOR DISCERNING CONSUMERS.

We search for materials that meet performance requirements, deliver on our luxury offerings, and help us achieve our sustainability goals. We invest in packaging innovation to advance solutions not only for our brands, but also for the personal care and cosmetics industry at large.

## PROGRESS TOWARD OUR GOALS

### GOALS:

*By the end of calendar year 2025, 75-100% of our packaging will be recyclable, refillable, reusable, recycled, or recoverable.*

In fiscal 2021, 59% of our packaging by weight is either recyclable, refillable, reusable, recycled, or recoverable, increasing from 53% in fiscal 2019.

*We will increase the amount of post-consumer recycled (PCR) material in our packaging by up to 50% by the end of calendar year 2025, from a fiscal 2019 baseline.*

We achieved this goal and reached 15% of PCR material in our packaging as of the end of fiscal 2021 (a greater than 50% increase from the fiscal 2019 baseline of 8.7% PCR).

Having achieved our original PCR goal ahead of schedule, we have now set a more ambitious goal to increase the total percentage of PCR material in our packaging to 25% or more by 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 2025.*

In fiscal 2021, 89% of our forest-based fiber cartons were FSC certified, increasing from 28% in fiscal 2019.



## OUR MANAGEMENT APPROACH

Responsibility for packaging lies with numerous teams throughout our organization. We share joint accountability to embed sustainability innovation across the entirety of the packaging life cycle.

Our brands are responsible for developing their own packaging goals and strategies, aligned with driving commercial value creation. The Global Packaging Function is accountable for executing these strategies and collaborates with Marketing; Creative; Procurement; Environment, Health, Safety + Sustainability; Regulatory; Global Public Affairs; Legal; and Global Corporate Citizenship and Sustainability functions. From design to purchase of materials to marketing, attention to packaging is vertically integrated throughout the enterprise.

Packaging developers function as sustainability champions and help brands stay up to date on the most relevant and innovative design principles. They incorporate sustainability into their designs to align to our “5Rs” (recyclable, refillable, reusable, recycled, or recoverable) packaging goal.



# SUSTAINABLE PACKAGING GUIDELINES

We remain at the forefront of prestige packaging development and work to influence the broader packaging industry through engagement around innovative and more responsible solutions. We continually anticipate consumer needs, market shifts, and regulatory requirements, and embed learnings and best practice into our internal guidelines.



In Le Labo boutiques and at select department store counters, consumers can bring back their perfume bottle (50ml, 100ml and 500ml) and refill it to receive 20% off the retail price.

Our Sustainable Packaging Guidelines contain an overview of our approach, definitions, material selection guides, and FAQs. They outline our priorities, which include:

- Reducing and removing packaging where possible
- Designing for reuse and refillability
- Building designed-in recyclability
- Increasing amounts of PCR material in packaging
- Replacing petroleum-based plastics with bioplastics (if the bioplastic can be recycled and does not contaminate traditional recycling streams).



In fiscal 2021, we continued to upskill and educate employees and provided training on the Guidelines for our package developers, marketers, and procurement teams.

Along with the Guidelines, we use additional tools to develop more responsible packaging. These include custom-developed methodologies to calculate the sustainability profile of various product-packaging formats and estimated associated GHG emissions, as well as third-party reviewed life-cycle assessments, as needed, to provide a holistic view of a package's impacts.

## SUSTAINABILITY IN NEW PRODUCT LAUNCH

The early development and design phase of a product and package is a critical time for integrating consideration of potential environmental impacts. In fiscal 2021, we redesigned our new product launch process to create more consistency and continuity, with sustainability principles woven in throughout. Brands are now asked to address how they will incorporate one of the 5Rs into new product packaging at the beginning of the design phase, allowing progress to be tracked from the onset.

### SECONDARY AND TERTIARY PACKAGING

The intent of secondary and tertiary packaging is to protect the integrity of our products while also providing a High-Touch experience. We are working to reduce the environmental impacts of shipping and its associated packaging, including by selecting more sustainable materials and eliminating excess material and volume.

For example, many brands now use dissolvable packaging peanuts in their shipping boxes and have reduced the amount of paper used in mailers. In our Europe, Middle East, and Africa (EMEA) region, new shipping boxes are free of plastic, tape, and unnecessary paper, and branded inner boxes have been replaced with plain carton packaging that is FSC certified. We are also teaching suppliers about our efforts to create more responsible secondary and tertiary packaging and look forward to continued collaboration.



# TRAINING

We keep employees and suppliers up to date on sustainable packaging initiatives through regular trainings and communications. Our objectives are to share information, capture new ideas, and listen to feedback so that we can continually evolve our programs and improve our outcomes. In fiscal 2021, we conducted numerous virtual sessions:

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## INTERNAL TEAMS

We conducted two webinar training sessions on the Sustainable Packaging Guidelines, principles, tools, and updates. Each training was attended by more than 100 employees across global regions and functions.

Provided small group (5-30 people) training sessions for our marketing, packaging, and creative teams on the process for making responsible packaging claims.



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## SUPPLIERS

We hosted a session that included representatives from nearly 400 supplier representatives to review updates made to improve our sustainability data collection in our supplier specification system.



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## SESSIONS WITH EXTERNAL ORGANIZATIONS

We held a virtual training seminar with the Sustainable Packaging Coalition for more than 90 employees. Participants selected training topics, such as sessions on ocean plastic, advanced recycling, and life-cycle analysis.

We kept our teams up to date on environmental regulation changes and proposed changes through webinars with external experts from Lorax EPI.



# ADDRESSING PLASTIC USE

We know that plastic use is among the most pressing sustainability issues today, and we are committed to tackling virgin plastic use and working to minimize plastic waste.

We have developed internal plastic guidelines to help drive the reduction of virgin and nonrecyclable plastic in our packaging, products, offices, facilities, and retail spaces. Our guidelines include options such as pursuing more sustainable alternatives to single-use virgin plastic packaging, replacing plastic applicators used in our retail stores with paper or wood versions, reducing plastic water bottles and cutlery in our spaces, and reducing virgin and nonrecyclable plastic used in our visual merchandising.

As part of our commitment, we have developed an enterprise-wide goal specific to our virgin-fossil-based plastic. We have also developed a more ambitious goal related to our use of PCR in packaging.

Excessive plastic waste in the environment is an issue that extends beyond our own business. In fiscal 2021, The Estée Lauder Companies Charitable Foundation (ELCCF) awarded a grant to Plastics for Change, a nonprofit whose mission is to empower one million informal waste collectors by providing fair market access through its platform. *Read more on page 51.*

## PARTNERING TO BRING ADVANCED RECYCLING TO MARKET

In fiscal 2021, we entered a partnership with SABIC, a global chemical industry leader, and Albéa, a beauty packaging manufacturer. One of the first projects developed was to bring advanced recycled tube packages to market.

Origins is the first prestige beauty brand to leverage SABIC's advanced recycling technology to produce a tube made from previously difficult-to-recycle, post-consumer mixed plastics material. The brand's global best-selling mask, Clear Improvement™ Active Charcoal Mask, is now packaged in a tube composed of a circular polymer resin made using SABIC's certified circular polyethylene and polypropylene advanced recycling technology. By using this recycling technology, we are helping to drive innovation toward the goal of a circular plastic economy.

## OUR NEW GOAL

In fiscal 2021, we established a new goal that by the end of calendar year 2030, we will reduce the amount of virgin petroleum plastic in our packaging to 50% or less.



### WHAT IS ADVANCED (CHEMICAL) RECYCLING?

Traditional recycling streams for plastics are limited, and plastics can only be recycled a finite number of times. Advanced recycling returns hard-to-recycle plastic back to its basic chemical building blocks. Once the plastic has been broken down to its molecular state, it is then used to create high-performance plastics akin to a virgin material. The use of advanced recycled material is an exciting technological development to support our sustainable packaging goals as this technology widens the scope of application in our packaging portfolio.

# PACKAGING INNOVATION IN ACTION

Our brands continue to enhance the sustainability profile of packaging within their portfolios. In fiscal 2021, highlights included:

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## CLINIQUE

Launched PCR and bioresin blend in certain packages (bottles) and PCR in caps.

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## ORIGINS

Launched tubes and caps made with at least 86% advanced recycled PCR, transitioned some products from plastic to glass, and made a refillable package for certain products.

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## SMASHBOX

Removed tertiary carriers from finished goods to reduce packaging materials, launched holiday sets with FSC-certified paperboard platforms instead of plastic, and launched PCR in some packages.

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## AVEDA

80% of Aveda high-density polyethylene (HDPE) plastic bottles use a minimum of 80% PCR content and more than 85% of Aveda's skin care and styling PET bottles and jars contain 100% post-consumer recycled materials. In fiscal 2021, Aveda also launched:

- A limited-edition shampoo bar in a 100% PCR FSC-certified fiber carton
- A new 350 ml mono-material tube with 65% PCR content (PP plastic), which is the highest percentage we have developed to date in a mono-material tube.



### ADVANCED NIGHT REPAIR: AN ICONIC PRODUCT NOW IN GLASS

Aligned to our objective to reduce plastic use, in fiscal 2021 our Estée Lauder brand launched the Advanced Night Repair Synchronized Multi-Recovery Complex with the iconic bottle reimaged, housed in a new, expertly crafted, recyclable glass bottle. Switching the Advanced Night Repair Serum bottles sold globally from plastic to glass avoids millions of plastic bottles per year.

\*Includes the following bottle sizes: 20 ml, 30 ml, 50 ml, 75 ml, 100 ml, 115 ml.

## INCREASING THE USE OF RECYCLED PLASTICS IN LUXURY COSMETICS PACKAGING

In fiscal 2021, we entered into an agreement with Eastman, a specialty materials provider to enable us to begin incorporating packaging solutions enabled by Eastman’s molecular recycling technologies and portfolio of Renew resins with up to 100% certified recycled content.\* This is the first sustainability-based agreement between Eastman and a major prestige beauty house and will help drive the increased use of recycled and/or recyclable plastics in luxury cosmetics packaging.

\*The recycled content is achieved by allocating the recycled waste plastic to Eastman Renew resins using a mass-balance process certified by ISCC.



“  
*We are proud to partner with The Estée Lauder Companies to help them achieve their ambitious sustainability goals. Together, we can provide a shining example of what is possible today—not years in the future—to advance the circular economy.*  
”

SCOTT BALLARD  
Division President of Plastics, Eastman

## PRODUCT TAKEBACK PROGRAMS

We work with our brands to develop takeback programs, where possible. These programs are subject to local recycling laws and waste jurisdiction and are highly complex in nature.

### BACK-TO-M·A·C

More than 30 years ago, M·A·C created Back-to-M·A·C—a pioneering takeback program intended to help reduce the environmental impact of the brand’s packaging by recycling or recovering its iconic black (ABS) plastic packages where possible. In locations where M·A·C has established its takeback program\*, consumers return their clean, empty products to a participating M·A·C counter to be recycled; what cannot be recycled is converted into energy.

In regions like North America and EMEA, the brand partners with select vendors to help recover and recycle consumers’ clean, empty M·A·C product packaging. In EMEA, our vendor can recycle select ABS plastic into new plastic that is used in the production of items including coffee machines and IT equipment. In North America, our vendors support M·A·C with a closed loop system to recycle select ABS packaging into material that can be used for new compacts. In North America, M·A·C has enabled the processing of more than 420,000 pounds of empty packages in fiscal 2021.



### AVEDA FULL CIRCLE

While a majority of Aveda products are recyclable at home, a handful of items—pumps, pouches, pots, small bottles (less than 150 ml), samples, tubes, and makeup—are not. In fiscal 2021, Aveda launched its Full Circle Takeback Program in the United Kingdom and select markets in Europe. This takeback program targets packaging that is not typically recyclable at curbside or through municipal recycling programs.

Consumers receive either points in Aveda’s loyalty program or discounts for each eligible product returned. Aveda collects the empties and passes them along to its recycling partner. The recycling partner recycles what they can, with any remaining materials being converted to energy.



# PARTNERING FOR ADVANCED SOLUTIONS

We maintain a strong network of collaborators—companies, universities, and consortiums—to help further our collective approach to more responsible packaging. For example, in fiscal 2021, students from Georgia Tech University produced a white paper comparing plastics used for mascara wands. They have continued to conduct life-cycle analyses of the studied plastics in order to help us better understand the impacts of different materials.



## WE ARE MEMBERS OF AND/OR PARTNERS WITH THE FOLLOWING ORGANIZATIONS:

**SUSTAINABLE PACKAGING INITIATIVE FOR COSMETICS (SPICE)**  
A cohort of organizations in the cosmetics industry dedicated to collectively shaping the future of sustainable packaging.

**ELLEN MACARTHUR FOUNDATION**  
An organization that brings together leaders and innovators in business, governments, and academia to contribute to society’s transition to a circular economy.

**ASSOCIATION OF PLASTIC RECYCLERS (APR)**  
The North American trade association representing companies who acquire, reprocess, and sell the output of more than 90 percent of the post-consumer plastic processing capacity in North America.

**SUSTAINABLE PACKAGING COALITION (SPC)**  
A coalition that brings together businesses, educational institutions, and government agencies to collectively strengthen and advance the business case for more sustainable packaging.

**STRATEGIC MATERIALS**  
A leader in the recycling market, Strategic Materials processes recycled glass and plastic for use in a wide array of products, creating efficiencies for our consumers while conserving earth’s natural resources.

### COLLABORATING TO TACKLE DIFFICULT CHALLENGES

Packaging tubes are often made of multiple layers of different materials. Currently, there is no infrastructure in practice and at scale to recycle packages that use multiple materials. As a member of Stina (formerly More Recycling), we engage with other member organizations to develop ways to advance recycling of packaging tubes. Stina is a nonprofit organization that provides programs and tools to help accelerate the transition to a society that uses resources responsibly.

As a result of this collaboration, Aveda is developing plans to launch “recyclable ready” tubes.\* These tubes will be made with one single material and developed in accordance with common recycling guidelines to facilitate more widespread recyclability.

\*Aveda tubes smaller than 38.5 mm in diameter will not be recyclable ready due to their size. Check locally to see if your recycler can handle single material plastic tubes.



# METRICS

		FY21	FY20	FY19
SELECT FINANCIAL DATA  (IN MILLIONS, EXCEPT PER SHARE DATA)	Net sales	\$16,215	\$14,294	\$14,863
	Net earnings attributable to The Estée Lauder Companies Inc.	\$2,870	\$684	\$1,785
	Net earnings per diluted share	\$7.79	\$1.86	\$4.82

		JUNE 30			
		2021	2020	2019	
GLOBAL EMPLOYEES <sup>1</sup>  Amounts may not sum due to rounding	Total employees (thousands) <sup>2</sup>	60.2	73.9	76.6	
	% Total employees, by region				
	<i>The Americas</i>	38.9%	42.6%	43.1%	
	<i>Asia/Pacific</i>	28.6%	24.3%	23.4%	
	<i>Europe, the Middle East &amp; Africa</i>	32.6%	33.1%	33.6%	
	% Total employees, by age group				
	<30 yo	30.7%	35.7%	38.9%	
	30-50 yo	53.7%	51.3%	48.7%	
	>50 yo	15.6%	13.0%	12.4%	
	% Total employees, by gender				
	<i>Female employees</i>	81.7%	83.7%	84.3%	
	% Total corporate employees by job level, by gender				
	<i>Female Vice President and Above</i>	54.8%	55.3%	55.1%	
<i>Female Director and Executive Director</i>	64.3%	65.9%	65.9%		
<i>Female Manager and Below</i>	82.9%	80.4%	80.8%		

- Total employees include global full-time, part-time, regular, and temporary employees on active assignment and on leave with pay. Employee metrics in this and other tables exclude approximately 1,800 employees at Have&Be and DECIEM business units. As recently acquired businesses, these units are in the process of being fully integrated into ELC human resources data systems.
- The fiscal 2021 reduction in employees was driven primarily by fewer point of sale employees due to the COVID-19 pandemic, including a combination of door closures and on-going in-store capacity restrictions, decisions to reduce the number of on-call and temporary employees, and voluntary resignations.

		JUNE 30		
		2021	2020	2019
GLOBAL EMPLOYEES <sup>1</sup> (continued) Amounts may not sum due to rounding	% Total employees by role type, by gender			
	<i>Female in Corporate</i>	76.8%	77.0%	77.6%
	<i>Female in Retail</i>	89.7%	90.3%	90.7%
	<i>Female in Manufacturing and Distribution</i>	51.7%	53.4%	54.6%
	<i>Female in STEM<sup>3</sup></i>	65.1%	65.7%	65.8%

		JUNE 30		
		2021	2020	2019
GLOBAL EMPLOYEES BY TYPE (THOUSANDS) Amounts may not sum due to rounding	TOTAL EMPLOYEES BY EMPLOYEE TYPE, BY REGION			
	Regular employees, by region			
	<i>The Americas</i>	16.0	18.9	19.2
	<i>Asia/Pacific</i>	16.7	17.0	16.6
	<i>Europe, the Middle East &amp; Africa</i>	18.5	22.7	23.0
	Temporary employees, by region			
	<i>The Americas</i>	7.4	12.5	13.8
	<i>Asia/Pacific</i>	0.6	1.0	1.3
	<i>Europe, the Middle East &amp; Africa</i>	1.1	1.8	2.7
	TOTAL EMPLOYEES BY EMPLOYEE TYPE, BY GENDER			
	Regular full-time employees, by gender			
	<i>Female</i>	33.9	38.1	37.8
	<i>Male</i>	9.1	9.3	9.0
	Regular part-time employees, by gender			
	<i>Female</i>	7.4	10.3	11.1
	<i>Male</i>	0.6	0.8	0.9
	Temporary full-time employees, by gender			
	<i>Female</i>	1.2	1.5	2.2
	<i>Male</i>	0.3	0.3	0.4
	Temporary part-time employees, by gender			
	<i>Female</i>	6.6	12.0	13.5
	<i>Male</i>	1.0	1.6	1.7

		JUNE 30		
		2021	2020	2019
U.S. EMPLOYEES <sup>4</sup>	% TOTAL U.S. EMPLOYEES, BY RACE/ETHNICITY			
Amounts may not sum due to rounding	White	49.8%	47.0%	47.3%
	Not Self-Identified	4.0%	5.4%	5.0%
	People of Color	46.1%	47.7%	47.7%
	<i>American Indian or Alaskan Native</i>	0.4%	0.4%	0.4%
	<i>Asian</i>	14.3%	12.1%	12.5%
	<i>Black or African American</i>	11.7%	13.4%	12.7%
	<i>Hispanic or Latino</i>	17.5%	19.5%	19.5%
	<i>Native Hawaiian or Pacific Islander</i>	0.5%	0.6%	0.5%
	<i>Two or More Races</i>	1.8%	1.6%	2.1%

4. Data is only available for U.S.-based employees and race / ethnicity category is defined according to Equal Employment Opportunity Commission (EEOC) guidelines as American Indian or Alaskan Native, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Other Pacific Islander, Two or More Races and White. The decrease in total "Black or African American" and "Hispanic or Latino" employee population in the United States is driven primarily by COVID-19 related reductions in the retail population, where Black and Hispanic representation is higher. Excludes brands acquired by ELC during or after fiscal 2020.

		JUNE 30		
		2021	2020	2019
U.S. EMPLOYEES BY ROLE TYPE	% U.S. CORPORATE EMPLOYEES, BY RACE/ETHNICITY			
	White	64.8%	66.3%	67.0%
	Not self-identified	1.9%	1.7%	1.3%
	People of Color	33.3%	32.0%	31.7%
	<i>American Indian or Alaskan Native</i>	0.1%	0.1%	0.1%
	<i>Asian</i>	14.6%	14.4%	13.9%
	<i>Black or African American</i>	6.4%	5.9%	5.9%
	<i>Hispanic or Latino</i>	10.7%	10.6%	10.4%
	<i>Native Hawaiian or Pacific Islander</i>	0.3%	0.3%	0.3%
	<i>Two or More Races</i>	1.2%	0.8%	1.0%
	% U.S. RETAIL EMPLOYEES, BY RACE/ETHNICITY			
	White	42.2%	40.3%	40.0%
	Not self-identified	6.9%	7.9%	7.8%
	People of Color	50.9%	51.8%	52.2%
	<i>American Indian or Alaskan Native</i>	0.6%	0.6%	0.6%
	<i>Asian</i>	6.6%	6.1%	5.9%
	<i>Black or African American</i>	15.0%	16.4%	15.8%
	<i>Hispanic or Latino</i>	25.3%	25.6%	26.2%
	<i>Native Hawaiian or Pacific Islander</i>	0.8%	0.9%	0.8%
<i>Two or More Races</i>	2.6%	2.2%	3.0%	
% U.S. MANUFACTURING & DISTRIBUTION EMPLOYEES, BY RACE/ETHNICITY				
White	36.7%	38.0%	38.0%	
Not self-identified	1.0%	1.4%	1.4%	
People of Color	62.4%	60.7%	60.6%	
<i>American Indian or Alaskan Native</i>	0.6%	0.4%	0.5%	
<i>Asian</i>	34.7%	33.4%	34.9%	
<i>Black or African American</i>	14.8%	15.3%	13.7%	
<i>Hispanic or Latino</i>	11.5%	10.6%	10.7%	
<i>Native Hawaiian or Pacific Islander</i>	0.2%	0.2%	0.1%	
<i>Two or More Races</i>	0.6%	0.7%	0.6%	

Amounts may not sum  
due to rounding

		JUNE 30		
		2021	2020	2019
U.S. CORPORATE EMPLOYEES BY JOB LEVEL	% U.S. VICE PRESIDENT AND ABOVE CORPORATE EMPLOYEES, BY RACE/ETHNICITY			
	White	73.1%	72.8%	75.4%
	Not self-identified	0.0%	1.9%	1.1%
	People of Color	26.9%	25.3%	23.6%
	<i>American Indian or Alaskan Native</i>	0.0%	0.0%	0.0%
	<i>Asian</i>	13.3%	13.6%	12.9%
	<i>Black or African American</i>	4.1%	3.9%	3.6%
	<i>Hispanic or Latino</i>	7.9%	7.4%	6.4%
	<i>Native Hawaiian or Pacific Islander</i>	0.0%	0.0%	0.0%
	<i>Two or More Races</i>	1.7%	0.4%	0.6%
	% U.S. DIRECTOR AND EXECUTIVE DIRECTOR CORPORATE EMPLOYEES, BY RACE/ETHNICITY			
	White	70.8%	70.0%	70.8%
	Not self-identified	0.1%	1.5%	1.3%
	People of Color	29.2%	28.5%	27.9%
<i>American Indian or Alaskan Native</i>	0.1%	0.1%	0.1%	
<i>Asian</i>	16.5%	16.6%	15.9%	
<i>Black or African American</i>	4.4%	4.0%	3.9%	
<i>Hispanic or Latino</i>	7.2%	7.1%	7.1%	
<i>Native Hawaiian or Pacific Islander</i>	0.2%	0.1%	0.0%	
<i>Two or More Races</i>	0.8%	0.7%	1.0%	
% U.S. MANAGER AND BELOW CORPORATE EMPLOYEES, BY RACE/ETHNICITY				
White	61.5%	64.0%	64.6%	
Not self-identified	2.8%	1.8%	1.4%	
People of Color	35.7%	34.2%	34.0%	
<i>American Indian or Alaskan Native</i>	0.2%	0.1%	0.1%	
<i>Asian</i>	14.0%	13.5%	13.3%	
<i>Black or African American</i>	7.4%	6.9%	7.0%	
<i>Hispanic or Latino</i>	12.4%	12.3%	12.1%	
<i>Native Hawaiian or Pacific Islander</i>	0.3%	0.4%	0.4%	
<i>Two or More Races</i>	1.3%	0.9%	1.1%	

Amounts may not sum due to rounding

		FY21	FY20	FY19
TURNOVER RATE <sup>5</sup> Amounts may not sum due to rounding	Total turnover rate	28.4%	20.7%	25.6%
	Voluntary turnover rate	15.6%	16.2%	20.5%
	Involuntary turnover rate	12.8%	4.5%	5.1%

		JUNE 30		
		2021	2020	2019
BOARD OF DIRECTORS Amounts may not sum due to rounding	Total Board count	16	16	16
	% Female	43.8%	43.8%	43.8%
	% People of Color <sup>6</sup>	18.8%	18.8%	18.8%
	% Board composition, by age group			
	<30 yo	0.0%	0.0%	0.0%
	0-50 yo	18.8%	18.8%	18.8%
	>50 yo	81.3%	81.3%	81.3%

		FY21	FY20	FY19
SOCIAL INVESTMENTS (\$ MILLIONS)	Total charitable contributions <sup>7</sup>	\$64.6	\$48.8	\$41.7

- Includes regular full-time and regular part-time employees. Excludes temporary full-time, temporary part-time, and intern employees. Turnover rate is calculated by dividing total employees who exited during the fiscal year by average headcount during the fiscal year. Fiscal year average headcount is calculated by adding headcount on the last day of each month and dividing by 12. Excludes brands acquired by ELC during or after fiscal 2020.
- One of our directors has self-identified as Black or African American and two of our directors have self-identified as Asian.
- Does not include charitable contributions made by employees but does include related ELC matching contributions. Fiscal 2020 value restated to include \$7.5 million in Company contributions to the ELC Cares Fund, established in the fourth quarter of fiscal 2020. Increase from fiscal 2020 to fiscal 2021 is driven by accelerated contributions to the ELC Charitable Foundation, the ELC Cares Fund (primarily due to anticipated additional COVID-19 relief), and to ELC Good Works. Excludes contributions made by brands acquired by ELC during or after fiscal 2020.

		FY21	FY20	FY19
EMPLOYEE ENGAGEMENT (THOUSANDS, EXCEPT ERGS)	Employee volunteer hours <sup>8,9</sup>	12.8*	17.1	26.0
	Employee donations	\$1,234*	\$1,541	\$798
	Amount matched by ELC <sup>8,10</sup>	\$1,721*	\$4,008	\$1,090
	% Eligible employees participating in volunteerism and giving programs <sup>8</sup>	19%*	31%	n/a
	# Employee Resource Groups (ERGs) <sup>11</sup>	43	39	30

\*Metrics assured by PricewaterhouseCoopers LLP

		FY21	FY20	FY19
EMPLOYEE SAFETY <sup>12</sup>	Total Recordable Incident Rate	0.18*	0.23	0.25
	Days Away, Restricted or Transfer Rate (DART)	0.15*	0.19	0.20
	Lost Time Frequency Rate	0.12*	0.18	0.17
	Total fatalities	0*	0	0
	Total Recordable Incidents <sup>13</sup>	89*	137	155
	# Recordable work-related injuries, by main types <sup>14</sup>			
	<i>Slips, trips, and falls</i>	36*	50	55
	<i>Ergonomic injuries</i>	14*	21	27
<i>Struck by</i>	11*	18	27	

\*Metrics assured by PricewaterhouseCoopers LLP

8. Metrics reflect information self-reported to ELC Good Works, the Company's internal platform used to report employee volunteerism, employee monetary donations, and ELC charitable matching gifts. In September 2020 (fiscal 2021), ELC Good Works expanded to 17 markets outside the United States and the United Kingdom. At the end of fiscal 2021, ELC Good Works was available to eligible employees in 19 markets globally. "Eligible employees" are those who meet certain criteria, which varies by market, and have access to ELC Good Works. Excludes brands acquired by ELC during or after fiscal 2020. For additional information, see [Management Assertion](#).

9. In fiscal 2021, the COVID-19 pandemic continued to negatively impact volunteerism rates due to restrictions on assembly.

10. Due to campaigns that provide more than a 1-to-1 match, amount matched by ELC is higher than employee donation amount. ELC match amount is also included as part of the "Total Charitable Contributions" metric in the Social Investments data table. In fiscal 2020, an additional \$3 million in ELC match was allocated to facilitate a 5-to-1 match campaign as part of the Company's racial equity commitments.

11. Total number includes all global chapters, representing 19 unique ERGs.

12. Metrics includes employees and contractors under direct supervision. Breakdown by direct employees and contractors is not available. Rates are calculated using OSHA recordability criteria and are based on 200,000 hours worked and the ELC Total Hours Worked for the fiscal year. The ELC Total Hours Worked for fiscal 2021 was approximately 100 million hours. Excludes brands acquired by ELC during or after fiscal 2020. For additional information, see [Management Assertion](#).

13. Recordable Incidents are measured using OSHA recordability criteria.

14. Main types include the top three most frequently occurring types of recordable injuries as observed over a five-year lookback period.

		FY21	FY20	FY19
GREENHOUSE GAS (GHG) EMISSIONS (THOUSAND METRIC TONS CO <sub>2</sub> EQUIVALENT)	Scope 1 <sup>15</sup>	24.1*	27.2	28.9
	Scope 2 <sup>16</sup>	57.0*	59.5	62.4
	Scope 3 for measured categories, by category <sup>17</sup> (FY21 data available in CY22)	n/a	2,075.0	2,124.6
	<i>Category 1: Purchased goods and services</i>	n/a	1,473.3	1,486.6
	<i>Category 2: Capital goods</i>	n/a	130.5	167.9
	<i>Category 4: Upstream transportation and distribution</i>	n/a	447.9	435.2
	<i>Category 6: Business travel</i>	n/a	23.3	34.9
	GHG intensity (normalized to net sales) <sup>18</sup>	0.0*	0.0	3.6
	Reduction of emissions due to conservation and efficiency measures <sup>19</sup>	1.0*	0.8	0.3
	% Progress towards Net Zero	100%	100%	39%

\*Metrics assured by PricewaterhouseCoopers LLP

15. Scope 1 emissions include direct emissions associated with fuel consumption for the operation of ELC owned and leased locations and vehicles, except emissions associated with refrigerants sources at retail, office, and certain regional distribution and innovation locations. Excludes brands acquired by ELC during or after fiscal 2021. The base year for Scope 1 and Scope 2 emissions is fiscal 2018. Global warming potential (GWP) factors are taken from the IPCC's fifth Assessment Report. For additional information on emissions and emissions accounting standard used, see [Management Assertion](#).
16. Scope 2 emissions include indirect emissions associated with purchased electricity, purchased steam, and district heating for the activities of all ELC owned and leased locations. Excludes brands acquired by ELC during or after fiscal 2021. Scope 2 refers to market-based Scope 2 emissions. For electricity purchased in the United States, emissions factors taken from the most recent EPA Emissions & Generation Resource Integrated Database (eGRID) are used to calculate GHG emissions. Province or territory-specific factors from Environment Canada and the Australian Government are applied to Canadian and Australian locations respectively. Country-specific emissions factors are applied at all other locations including utilizing residential mix emission factors for locations in the European Union. Fiscal 2021, Scope 2 location-based emissions totaled 54.0 thousand metric tons CO<sub>2</sub> equivalents. For additional information on emissions and emissions accounting standard used, see [Management Assertion](#).
17. Measured categories include Categories 1, 2, and 4 as reflective of significant impact, with Category 6 reflecting stakeholder interest. Category 1 includes Raw Materials, Packaging, Third-Party Manufacturers (TPMs), and indirect spend; Category 2 includes only Capital Goods; Category 4 includes Inbound and Outbound Transportation and Distribution arranged for by ELC; Category 6 includes Air Travel, Hotel Stays, Rail, and Hire Car, but excludes out of pocket employee travel expenses. All other Scope 3 Categories are considered de minimis; please refer to ELC's CDP Climate Response [🔗](#) for additional information. Excludes emissions associated with brands acquired by ELC during or after fiscal 2020 and other acquisitions made prior thereto that have not yet been integrated into the relevant ELC systems. Full Scope 3 data for fiscal 2021 not available at time of publication due to limitations associated with the timing of suppliers' release of value chain data.
18. GHG intensity is calculated based on Scope 1 and Scope 2 market-based emissions including renewables.
19. Total estimated annual savings from projects implemented in the reporting period. Total energy and GHG emission savings are attributed to the year in which projects launched in, regardless of timing during the fiscal year. Fiscal 2020 value restated due to updated emission factors. For additional information, see [Management Assertion](#).



		FY21	FY20	FY19
ENERGY (THOUSAND MWH) Amounts may not sum due to rounding	Total energy consumption within the organization <sup>20</sup>	289.6*	289.0	299.3
	Total fuel consumption, by source <sup>21</sup>	128.7*	129.8	137.9
	<i>Non-renewable</i>	123.9*	128.4	136.8
	<i>Renewable</i>	4.8*	1.6	1.1
	Total electricity consumption, by source <sup>22</sup>	160.9*	159.2	161.4
	<i>Non-renewable</i>	0.0*	0.0	54.8
	<i>Renewable</i>	160.9*	159.2	106.6
	Energy intensity (MWh normalized to net sales)	17.9*	20.2	20.1
	% Global energy sourced from renewable energy	57.2%*	55.6%	36.0%
	Reduction of energy consumption due to conservation and efficiency measures <sup>19</sup>	5.0*	2.3	2.6
	% Renewable electricity	100%	100%	66%

\*Metrics assured by PricewaterhouseCoopers LLP

		FY21	FY20	FY19
WASTE <sup>23</sup> (THOUSAND METRIC TONS) Amounts may not sum due to rounding	Total hazardous waste, by disposal method	1.4	1.3	1.1
	<i>Recycling</i>	0.02	0.01	n/a
	<i>Recovery, including energy recovery</i>	1.3	1.3	n/a
	<i>Landfill</i>	0	0	n/a
	<i>Incineration</i>	0.03	0.01	n/a
	<i>Other treatment method<sup>24</sup></i>	<0.01	<0.01	n/a
	Total non-hazardous waste, by disposal method	30.8	29.5	31.0
	<i>Reuse</i>	4.3	4.4	4.5
	<i>Recycling</i>	14.7	15.1	17.0
	<i>Composting</i>	0.02	0.03	0.01
	<i>Recovery, including energy recovery</i>	11.7	9.9	9.5
<i>Landfill<sup>25</sup></i>	<0.01	<0.01	0	

20. Excludes brands acquired by ELC during or after fiscal 2021. For additional information, see [Management Assertion](#).

21. Fuel consumption for all global activities with ELC operational control. Non-renewable fuel includes natural gas, mobile gasoline, mobile diesel, fuel oil, and purchased steam. Renewable fuel includes on-site solar generated and consumed at ELC locations, bio-fuel, and district heating from wood and wood residuals. Fiscal 2020 renewable fuel value restated due to more accurate data capture.

22. Electricity consumption for all global activities with ELC operational control. Non-renewable electricity consumption reflects utility purchases not covered by off-site generation (utility contracts), Energy Attribute Certificates (EACs), and a Virtual Power Purchase Agreement (VPPA). Renewable electricity consumption reflects off-site generation (utility contracts), EACs, and a VPPA.

23. Waste data reflects production and excess obsolete (EXOB) from 39 primary locations (15 manufacturing sites, 20 distributions sites, and 4 innovation sites); data does not include 17 additional sites that are included in the zero industrial waste-to-landfill goal. Sludge waste and product giveaways are not included. Disposal information is provided by the waste disposal contractors except for reuse, which is carried out by ELC. Adjustment made to fiscal 2020 and fiscal 2019 'Total hazardous waste (Recovery, including energy recovery)' and 'Total non-hazardous waste (Recycling)' metrics to reflect waste reclassification. Combined 'Total hazardous waste' and 'Total non-hazardous waste' amount remains the same. Excludes brands acquired by ELC during or after fiscal 2020.

24. Other treatment methods include wastewater treatment, chemical treatment, and reuse.

25. Metric includes Municipal Solid Waste (MSW), a non-industrial waste stream that is not part of the scope of ELC's zero industrial waste-to-landfill goal.

		FY21	FY20	FY19
WATER <sup>26</sup> (MILLION CUBIC METERS) Amounts may not sum due to rounding	Withdrawal <sup>27</sup>	1.5	1.5	1.6
	Consumption	0.1	0.1	0.2
	Discharge <sup>27</sup>	1.4	1.3	1.4
	% Water consumption from all areas with water stress <sup>28</sup>	46.8%	44.8%	41.1%
	% Water withdrawn from all areas with water stress <sup>28</sup>	80.5%	76.9%	82.4%
	Water consumption intensity (thousand cubic meters normalized to net sales)	<0.01	<0.01	0.01

		FY21	FY20	FY19
RESPONSIBLE SOURCING <sup>29</sup>	% of new suppliers screened using environmental and social criteria <sup>30</sup>	100%	100%	100%
	% of strategic suppliers screened using environmental and social criteria <sup>31</sup>	100%	98%	85%
	Number of third-party on-site supplier audits <sup>32</sup>	52	67	51

		CY20	CY19	CY18
PALM OIL <sup>33</sup> Amounts may not sum due to rounding	Total amount of palm oil sourced (thousand metric tons)	3.6	4.0	4.6
	% Total palm oil certified by RSPO, by certification type	100%	100%	100%
	<i>Identity preserved</i>	<1%	<1%	<1%
	<i>Segregated</i>	0%	0%	0%
	<i>Mass Balance</i>	70%	57%	47%
	<i>Book &amp; Claim</i>	29%	42%	52%
	% Total palm-based ingredients sourced through certified-sustainable physical supply chains	71%	58%	47%

26. Fiscal 2020 and fiscal 2019 metrics restated due to more accurate data capture of water discharge at ELC's Melville manufacturing facility. Restated metrics include 'Consumption', 'Discharge', '% Water consumption from areas with water stress', and 'Water consumption intensity'.

27. Withdrawal, Consumption, and Discharge data reflects 59 locations (15 manufacturing sites, 38 distribution sites, and 6 innovation sites). Data includes groundwater withdrawal and return at the Melville manufacturing facility from approximately April through October each year as a result of cooling activities. Excludes brands acquired by ELC during or after fiscal 2020.

28. ELC's Melville, New York, facilities, comprising a total of 5 locations, are located in areas of high water stress as defined by the World Resources Institute's Water Risk Atlas tool (Aqueduct). They account for the majority of water withdrawal and consumption. Areas of water stress were determined based on an assessment of regions covering ELC manufacturing sites and select innovation sites.

29. Suppliers are those that provide direct raw material, ingredient, packaging, and Third-Party Manufacturing to ELC.

30. Excludes suppliers to certain acquired brands that are not yet fully integrated into the relevant ELC systems.

31. Strategic suppliers include those that are highly critical suppliers with broad and unique capabilities, proven value creation, and a high level of collaboration. These suppliers comprise more than half of ELC direct spend.

32. Includes third party audits requested by ELC, as well as other mutually recognized audits that align to ELC audit standard and are conducted by third-party auditors.

33. Palm oil sourcing is reported by Calendar Year (CY) in alignment with the Roundtable on Sustainable Palm Oil (RSPO) Annual Communication of Progress (ACOP) guidelines. Excludes palm-based ingredients not directly procured by ELC, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.

		FY21	FY20	FY19
PACKAGING <sup>34</sup>	% Packaging that is recyclable, refillable, reusable, recycled, or recoverable	59%	55%	53%
	% Post-consumer recycled (PCR) material	15%	10%	9%
	% Forest-based fiber cartons FSC certified	89%	63%	28%
	Total weight of product packaging, by type <sup>35</sup> (thousand metric tons)	65.3	58.3	63.1
	<i>Non-renewable</i>	50.6	42.2	43.7
	<i>Renewable</i> <sup>36</sup>	14.7	16.1	19.4
	Total weight of materials reclaimed through consumer take back programs <sup>37</sup>	0.2	0.3	0.4
	% Packaging reclaimed through consumer take back programs <sup>37</sup> (thousand metric tons)	0.33%	0.50%	0.65%
	% Packaging made from post-consumer recycled content and/or renewable materials	38%	38%	39%

34. Excludes brands acquired by ELC during or after fiscal 2020.

35. Product packaging is defined as any item to be used for the containment, protection, handling and presentation of products and delivery to ELC's distribution center that is included on the bill of materials.

36. Renewable materials are those composed of biomass from a living source and are replenished at a rate equal to or greater than the rate of depletion.

37. Materials collected in North America, the United Kingdom., and Australia only. COVID-19 resulted in lower consumer participation in packaging take back programs.

# GRI / SASB / TCFD INDEXES

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
GRI 102: GENERAL DISCLOSURES 2016	102-1	Name of the organization	The Estée Lauder Companies Inc.
	102-2	Activities, brands, products, and services	FY21 Form 10-K, pp. 2-9 <a href="#">↗</a>
	102-3	Location of headquarters	767 Fifth Avenue, New York, New York
	102-4	Location of operations	FY21 Form 10-K, pp. 9, 24 <a href="#">↗</a> Global Operations <a href="#">↗</a>
	102-5	Ownership and legal form	FY21 Form 10-K, p. 2 <a href="#">↗</a>
	102-6	Markets served	Global Operations <a href="#">↗</a> FY21 Form 10-K, pp. 2-9
	102-7	Scale of the organization	Metrics, p. 96 (Total employees, employees by region) FY21 Form 10-K, p. 9 <a href="#">↗</a> (Distribution/total number of operations) Metrics, p. 96 (Net sales) FY21 Form 10-K, pp. 28 and F-81 <a href="#">↗</a> (Net sales by region) FY21 Form 10-K, pp. 3, 28, F-80 <a href="#">↗</a> (Net sales by product category)
	102-8	Information on employees and other workers	Metrics, p. 97 There are no significant seasonal variations in our workforce, and we do not use non-employees to perform a significant portion of the organization's activities.
	102-9	Supply chain	Responsible Sourcing, pp. 68-77 FY21 Form 10-K, p. 12 <a href="#">↗</a>
	102-10	Significant changes to the organization and its supply chain	FY21 Form 10-K, pp. 30-33 <a href="#">↗</a>
	102-11	Precautionary Principle or approach	Product Formulation, pp. 82-85 (Green Chemistry)

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE <i>(continued)</i>			
GRI 102: GENERAL DISCLOSURES 2016	102-12	External initiatives	The Estée Lauder Companies aligns, in whole or in part, with numerous social impact and sustainability related third-party charters, principles and initiatives, including the United Nations Sustainable Development Goals, the 12 Green Chemistry Principles and various ISO standards, among others. We have included information about these initiatives throughout our report.
	102-13	Membership of associations	We maintain membership in many social impact and sustainability related associations, including: Action for Sustainable Derivatives (ASD), AIM-Progress, Association of Plastic Recyclers (APR), Business Council for International Understanding, Business for Social Responsibility (BSR), Canadian Manufacturers and Exporters, The Conference Board, Cosmetics Alliance (Canada), Cosmetics Europe, the Ellen MacArthur Foundation, Global Shea Alliance, Green Chemistry and Commerce Council (GC3), National Association for Environmental Management (NAEM), National Minority Supplier Development Council, National Retail Federation, Personal Care Products Council (PCPC), Retail Industry Leaders Association, Roundtable on Sustainable Palm Oil (RSPO), Sustainable Brands, Sustainable Packaging Coalition (SPC), Sustainable Packaging Initiative or CosmEtics (SPICE), Strategic Materials, U.S. Chamber of Commerce, WEConnect International and The Women's Business Enterprise National Council.
STRATEGY			
GRI 102: GENERAL DISCLOSURES 2016	102-14	Statement from senior decision-maker	Letter from William P. Lauder and Fabrizio Freda, pp. 8-10
	102-15	Key impacts, risks, and opportunities	Our Commitment to Social Impact and Sustainability, pp. 14-19 Social Impact and Sustainability Goals and Progress, pp. 12-13 FY21 Form 10-K, pp. 18-24 (Risk Factors) <a href="#">🔗</a>
ETHICS AND INTEGRITY			
GRI 102: GENERAL DISCLOSURES 2016	102-16	Values, principles, standards, and norms of behavior	Culture and Values <a href="#">🔗</a> Code of Conduct <a href="#">🔗</a>
	102-17	Mechanisms for advice and concerns about ethics	Code of Conduct, pp. 6-8, 14-19 <a href="#">🔗</a>

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
GOVERNANCE			
GRI 102: GENERAL DISCLOSURES 2016	102-18	Governance structure	Corporate Governance <a href="#">🔗</a> 2021 Proxy Statement, p. 10 <a href="#">🔗</a> The Nominating and ESG Committee is responsible for citizenship and sustainability oversight. Nominating and ESG Committee Charter, p. 1 <a href="#">🔗</a>
	102-19	Delegating authority	The Nominating and ESG Committee is responsible for citizenship and sustainability oversight. Nominating and ESG Committee Charter, p. 1 <a href="#">🔗</a> Our Commitment to Social Impact and Sustainability, pp. 14-19
	102-20	Executive-level responsibility for economic, environmental, and social topics	Our Commitment to Social Impact and Sustainability, pp. 14-20
	102-22	Composition of the highest governance body and its committees	2021 Proxy Statement, pp. 11-21 <a href="#">🔗</a>
	102-23	Chair of the highest governance body	2021 Proxy Statement, pp. 13, 22 <a href="#">🔗</a>
	102-24	Nominating and selecting the highest governance body	2021 Proxy Statement, pp. 10, 20-21 <a href="#">🔗</a>
	102-25	Conflicts of interest	2021 Proxy Statement, pp. 11-18, 26-31, 34, 45, 67 <a href="#">🔗</a> Code of Conduct, pp. 14-15 <a href="#">🔗</a>
	102-27	Collective knowledge of the highest governance body	Corporate Governance Guidelines, p. 9 <a href="#">🔗</a>
	102-35	Remuneration policies	2021 Proxy Statement, pp. 41-94 <a href="#">🔗</a> Our Commitment to Social Impact and Sustainability, pp. 14-19 (Corporate Governance and Executive Compensation)
	102-36	Process for determining remuneration	2021 Proxy Statement, pp. 41-94 <a href="#">🔗</a> Our Commitment to Social Impact and Sustainability, pp. 14-19 (Corporate Governance and Executive Compensation)"
STAKEHOLDER ENGAGEMENT			
GRI 102: GENERAL DISCLOSURES 2016	102-40	List of stakeholder groups	Our key stakeholders include employees, consumers, investors, retailers, nongovernmental organizations (NGOs), suppliers, regulators, policymakers and local communities.
	102-41	Collective bargaining agreements	FY21 Form 10-K, p. 14 <a href="#">🔗</a>

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
STAKEHOLDER ENGAGEMENT <i>(continued)</i>			
GRI 102: GENERAL DISCLOSURES 2016	102-42	Identifying and selecting stakeholders	We engage with certain stakeholders (individuals and organizations) who have the potential to influence our business strategy and operations and whom our business impacts in turn.
	102-43	Approach to stakeholder engagement	Our Commitment to Social Impact and Sustainability, pp. 18-19 (Priority Focus Areas for Social Impact and Sustainability; Stakeholder Engagement)  We conducted direct outreach to external stakeholders as part of our social impact and sustainability focus areas analysis. This input helped to define, validate, and prioritize social impact and sustainability topics and to inform the content of this report.
	102-44	Key topics and concerns raised	Our Social Impact and Sustainability Goals and Commitments reflect our priority focus areas, as informed by stakeholder concerns and sentiments. Additional information on specific stakeholder topics of interest are included throughout this report.
REPORTING PRACTICE			
GRI 102: GENERAL DISCLOSURES 2016	102-45	Entities included in the consolidated financial statements	FY21 Form 10-K, p. 2 <a href="#">🔗</a> This report covers The Estée Lauder Companies and its subsidiary operations unless otherwise specified.
	102-46	Defining report content and topic Boundaries	Our Commitment to Social Impact and Sustainability, p. 18 (Priority Focus Areas for Social Impact and Sustainability) About this Report, pp. 4-5
	102-47	List of material topics	Our Commitment to Social Impact and Sustainability, p. 18 (Priority Focus Areas for Social Impact and Sustainability)
	102-48	Restatements of information	Information on restatements of social impact and sustainability data are included in the footnotes to the tables in the Metrics section of this report, pp. 96-106
	102-49	Changes in reporting	None
	102-50	Reporting period	July 1, 2020 - June 30, 2021
	102-51	Date of most recent report	The fiscal 2020 Citizenship & Sustainability Report was published on November 2, 2020.
	102-52	Reporting cycle	Fiscal year (annual)
	102-53	Contact point for questions regarding the report	Please use our online form for inquiries regarding this report. <a href="#">🔗</a>
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
REPORTING PRACTICE <i>(continued)</i>			
GRI 102: GENERAL DISCLOSURES 2016	102-55	GRI content index	GRI content index, pp. 107-114
	102-56	External assurance	About this Report, pp. 4-5 Report of Independent Accountants and The Estée Lauder Companies Management Assertion, pp. 118-125
TOPIC-SPECIFIC STANDARDS			
ECONOMIC PERFORMANCE			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	FY21 Form 10-K <a href="#">🔗</a>
	103-2		Social Investments, pp. 42-53
	103-3		
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value distributed: community investments	Metrics, p. 101 (Social investments)
	201-2	Financial implications and other risks and opportunities due to climate change	2021 CDP Climate Response, pp. 7-11 <a href="#">🔗</a> Climate and Environment, pp. 54-67 (Our Response to Climate Change)
MATERIALS			
GRI 103: MANAGEMENT APPROACH 2016	103-1,	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Packaging, pp. 86-95 More information about the topic boundary and definitions is included in the About this Report section and in footnotes to the Metrics tables.
	103-2,		
	103-3		
GRI 301: MATERIALS 2016	302-1	Materials used by weight or volume	Metrics, p. 106 (Packaging)
	302-3	Reclaimed products and their packaging materials	Metrics, p. 106 (Packaging) We do not currently track reclaimed product and packaging materials by product category.
ENERGY			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Climate and Environment, pp. 55, 60-61 (Our Management Approach; Renewable Portfolio; On-Site Solar Power) More information about the topic boundary and definitions is included in the About this Report section and in footnotes to the Metrics tables. 2021 CDP Climate Response, pp. 13-18, 29-41 <a href="#">🔗</a>
	103-2		
	103-3		
GRI 302: ENERGY 2016	302-1	Energy consumption within the organization	Metrics, p. 104 (Energy)
	302-3	Energy intensity	Metrics, p. 104 (Energy)
	302-4	Reduction of energy consumption	Metrics, p. 104 (Energy)



GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
TOPIC-SPECIFIC STANDARDS			
WATER AND EFFLUENTS			
GRI 303: WATER AND EFFLUENTS 2018	303-3	Water withdrawal	Metrics, p. 105 (Water) 2021 CDP Water Response, pp. 3-4 <a href="#">↗</a>
	303-4	Water discharge	Metrics, p. 105 (Water) 2021 CDP Water Response, pp. 3-5 <a href="#">↗</a>
	303-5	Water consumption	Metrics, p. 105 (Water) 2021 CDP Water Response, pp. 3-4 <a href="#">↗</a>
EMISSIONS			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Climate and Environment, pp. 55-59 (Our Management Approach; Our Response to Climate Change) More information about the topic boundary and definitions is included in the About this Report section and in footnotes to the Metrics tables. 2021 CDP Climate Response, pp. 2-5, 11-19, 44-47 <a href="#">↗</a>
	103-2		
	103-3		
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	Metrics, p. 103 (GHG Emissions)
	305-2	Energy indirect (Scope 2) GHG emissions	Metrics, p. 103 (GHG Emissions)
	305-3	Other indirect (Scope 3) GHG emissions	Metrics, p. 103 (GHG Emissions)
	305-4	GHG emissions intensity	Metrics, p. 103 (GHG Emissions)
	305-5	Reduction of GHG emissions	Metrics, p. 103 (GHG Emissions) 2021 CDP Climate Response, pp. 13-17, 28-29 <a href="#">↗</a>
EFFLUENTS AND WASTE			
GRI 306: EFFLUENTS AND WASTE 2020	306-3	Waste generated	Metrics, p. 104 (Waste)
	306-4	Waste diverted from disposal	Metrics, p. 104 (Waste)
	306-5	Waste directed to disposal	Metrics, p. 104 (Waste)
ENVIRONMENTAL COMPLIANCE			
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	Non-compliance with environmental laws and regulations	In fiscal 2021, we were not subject to any environmental fines or penalties.

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
TOPIC-SPECIFIC STANDARDS			
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Responsible Sourcing, pp. 68-77
	103-2		More information about the topic boundary and definitions is included in the About this Report section and in footnotes to the Metrics tables.
	103-3		2021 CDP Forest Response, pp. 8-12, 14 <a href="#">🔗</a>
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	New suppliers that were screened using environmental criteria	Metrics, p. 105 (Responsible Sourcing) Responsible Sourcing, p. 70 (Supplier Evaluation and Monitoring)
EMPLOYMENT			
GRI 401: EMPLOYMENT 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Experience, p. 26 (Employee Benefits)
OCCUPATIONAL HEALTH AND SAFETY			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	Occupational health and safety management system	Employee Experience, pp. 21, 23 (Health & Safety; Our Management Approach; Safety in Action)
	403-2	Hazard identification, risk assessment, and incident investigation	Employee Experience, p. 21 (Health & Safety; Our Management Approach)
	403-3	Occupational health services	Employee Experience, pp. 21-22 (Health & Safety; Our Management Approach; Managing the Continued Impacts of COVID-19)
	403-4	Worker participation, consultation, and communication on occupational health and safety	Employee Experience, pp. 21-23 (Health & Safety; Our Management Approach; Engaging Employees in Prioritizing Safety; Retail)
	403-5	Worker training on occupational health and safety	Employee Experience, pp. 22-23 (Engaging Employees in Prioritizing Safety; Health & Safety Training)
	403-6	Promotion of worker health	Employee Experience, pp. 25-26 (Continuing to Evolve in Response to COVID-19; Employee Benefits)
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employee Experience, pp. 21-22 (Health & Safety; Our Management Approach; Engaging Employees in Prioritizing Safety)
	403-9	Work related injuries	Metrics, p. 102 (Employee Safety) We currently do not break out these metrics by worker type. There were no high-consequence work-related injuries in fiscal 2021.
TRAINING AND EDUCATION			
GRI 404: TRAINING AND EDUCATION 2016	404-2	Programs for upgrading employee skills and transition assistance programs	Employee Experience, pp. 28-31 (Learning and Development) FY21 Form 10-K, p. 14 <a href="#">🔗</a>

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
TOPIC-SPECIFIC STANDARDS			
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	Metrics, pp. 97, 99-101 (Global Employees, U.S. Employees by Role Type, U.S. Corporate Employees by Job Level, Board of Directors)
SUPPLIER SOCIAL ASSESSMENT			
GRI 103: MANAGEMENT APPROACH 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Responsible Sourcing, pp. 68-77 More information about the topic boundary and definitions is included in the About this Report section and in footnotes to the Metrics tables. 2021 CDP Forest Response, pp. 12, 14 <a href="#">↗</a>
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1	New suppliers that were screened using social criteria	Metrics, p. 105 (Responsible Sourcing) Responsible Sourcing, p. 70 (Supplier Evaluation and Monitoring)
PUBLIC POLICY			
GRI 415: PUBLIC POLICY 2016	415-1	Political contributions	Consistent with U.S. federal law, The Estée Lauder Companies does not make political contributions to candidates for federal office. As of 2018, as a matter of policy, The Estée Lauder Companies has decided not to make political contributions in state or local races or to political parties. Political Engagement
CUSTOMER HEALTH AND SAFETY			
GRI 103: MANAGEMENT APPROACH 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Product Formulation, pp. 80, 82-85 (Product Safety Philosophy and Process, Green Chemistry, Our Ingredients)
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1	Assessment of the health and safety impacts of product and service categories	We assess 100% our products for health and safety. All of the ingredients present in our products undergo a comprehensive safety review and evaluation, and we will continue to comply with regulations regarding the ingredients used in our products, ensuring our overarching commitment to product safety.
MARKETING AND LABELING			
GRI 103: MANAGEMENT APPROACH 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Product Formulation pp. 84-85 (Our Ingredients)
GRI 417: MARKETING AND LABELING 2016	417-1	Requirements for product and service information and labeling	Product Formulation, pp. 84-85 (Our Ingredients) We comply with laws and regulations related to product labeling. We have set a goal to develop a glossary of key ingredients that includes descriptions of the ingredients' purpose and will make this information available online by the end of calendar year 2025. In fiscal 2021, seven brands published ingredient glossaries on their websites, bringing our total to 11.

# SASB HOUSEHOLD & PERSONAL PRODUCTS STANDARD INDEX

DISCLOSURE TOPIC AND ACCOUNTING METRICS		RESPONSE
WATER MANAGEMENT		
CG-HP-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Metrics, p. 105 (Water)
CG-HP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	Climate and Environment, pp. 66-67 (Water)
PRODUCT ENVIRONMENTAL, HEALTH, AND SAFETY PERFORMANCE		
CG-HP-250a.1	Revenue from products that contain REACH substances of very high concern (SVHC)	At The Estée Lauder Companies (ELC), the health and safety of our consumers is a top priority. We select our ingredients for many reasons, including safety, efficacy, and sustainability. We work diligently to ensure that our products are formulated to meet the requirements of governmental, regulatory, and scientific bodies wherever our products are sold, as well as our own high-quality standards. For more information about the ingredients used in our products, please see our Ingredient Philosophy webpage. <a href="#">🔗</a>
CG-HP-250a.2	Revenue from products that contain REACH substances on the California DTSC Candidate Chemical List	
CG-HP-250a.3	Discussion of process to identify and manage emerging materials and chemicals of concern	Product Formulation, pp. 80, 82-85 (Product Safety Philosophy and Process; Green Chemistry; Our Ingredients)
CG-HP-250a.4	Revenue from products designed with green chemistry principles	We incorporate green chemistry principles in our product development process. Our Green Score program provides a quantifiable method for our formulators to benchmark and inform their formulation choices based on the principles of green chemistry, specifically through the lenses of human health, ecosystem health, and the environment. We have assigned green scores to thousands of our active ingredients and formulas. Please see pages 82-83 for more details.
PACKAGING LIFECYCLE MANAGEMENT		
CG-HP-410a.1	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Metrics, p. 106 (Packaging)
CG-HP-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Packaging, pp. 86-95

DISCLOSURE TOPIC AND ACCOUNTING METRICS		RESPONSE
ENVIRONMENTAL & SOCIAL IMPACTS OF PALM OIL SUPPLY CHAIN		
CG-HP-430a.1	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) identity preserved, (b) segregated, (c) mass balance, or (d) Book & Claim	Metrics, p. 105 (Palm Oil)
ACTIVITY METRIC		
CG-HP-000.B	Number of manufacturing facilities	FY21 Form 10-K, p. 24 <a href="#">🔗</a>

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

DISCLOSURE	REFERENCE
<b>GOVERNANCE</b>	
Describe the board's oversight of climate-related risks and opportunities.	Climate and Environment, p. 58 (Governance) 2021 CDP Climate Response, p. 3 <a href="#">↗</a>
Describe management's role in assessing and managing climate-related risks and opportunities.	Climate and Environment, pp. 58-59 (Governance; Risk Management) 2021 CDP Climate Response, pp. 3-5 <a href="#">↗</a>
<b>STRATEGY</b>	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Climate and Environment, p. 59 (Risk Management) 2021 CDP Climate Response, pp. 5-11 <a href="#">↗</a>
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Climate and Environment, p. 59 (Strategy; Risk Management) 2021 CDP Climate Response, pp. 11-13 <a href="#">↗</a>
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	Climate and Environment, p. 59 (Risk Management) 2021 CDP Climate Response, p. 12 <a href="#">↗</a>
<b>RISK MANAGEMENT</b>	
Describe the organization's processes for identifying and assessing climate-related risks.	Climate and Environment, p. 59 (Risk Management) 2021 CDP Climate Response, p. 6 <a href="#">↗</a>
Describe the organization's processes for managing climate-related risks.	Climate and Environment, p. 59 (Strategy) 2021 CDP Climate Response, pp. 6-11 <a href="#">↗</a>
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate and Environment, p. 59 (Strategy; Risk Management) 2021 CDP Climate Response, pp. 5-6 <a href="#">↗</a>
<b>METRICS AND TARGETS</b>	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics, pp. 103-104 (GHG Emissions; Energy)
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Metrics, p. 103 (GHG Emissions) 2021 CDP Climate Response, pp. 17-29 <a href="#">↗</a>
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Climate and Environment, pp. 58-59 (Progress Toward Our Goals; Metrics) 2021 CDP Climate Response, pp. 13-17 <a href="#">↗</a>



# REPORT OF INDEPENDENT ACCOUNTANTS

To the Management of The Estée Lauder Companies Inc.

We have reviewed the accompanying The Estée Lauder Companies Inc. management assertion that the metrics, as of or for the year ended June 30, 2021 in management's assertion, are presented in accordance with the assessment criteria set forth in management's assertion. The Estée Lauder Companies Inc.'s management is responsible for its assertion and for the selection of the criteria, which management believes provide an objective basis for measuring and reporting on the metrics. Our responsibility is to express a conclusion on management's assertion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to management's assertion in order for it to be fairly stated. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA.

We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

Greenhouse gas (GHG) emissions quantification is subject to inherent measurement uncertainty because of such things as GHG emissions factors that are used in mathematical models to calculate GHG emissions, and the inability of these models, due to incomplete scientific knowledge and other factors, to accurately measure under all circumstances the relationship between various inputs and the resultant GHG emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data. The selection by management of alternative acceptable measurement techniques could have resulted in materially different amounts or metrics being reported.

As discussed in management's assertion, The Estée Lauder Companies Inc. has estimated GHG emissions for certain emission sources for which no primary usage data is available.

The preparation of the employee engagement and employee safety metrics requires management to establish the criteria, make determinations as to the relevancy of information to be included, and to make assumptions that affect reported information. The selection by management of alternative acceptable measurement techniques could have resulted in materially different amounts or metrics being reported.

Based on our review, we are not aware of any material modifications that should be made to The Estée Lauder Companies Inc.'s management assertion in order for it to be fairly stated.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers LLP'. The signature is written in a cursive, flowing style.

New York, New York  
October 27, 2021



# THE ESTÉE LAUDER COMPANIES INC. MANAGEMENT ASSERTION

## OVERVIEW

With respect to the following metrics reported by The Estée Lauder Companies Inc. (“ELC” or the “Company”) as of or for the year ended June 30, 2021 (fiscal 2021), ELC’s management asserts that such metrics, which are also included in the Fiscal 2021 Social Impact and Sustainability Report metrics tables as identified by the “\*” symbol, are presented in accordance with the assessment criteria set forth below.

Management is responsible for the completeness, accuracy, and validity of the metrics and for the selection of the criteria, which management believes provide an objective basis for measuring and reporting on the metrics. The selection by management of alternative acceptable measurements could have resulted in materially different amounts or metrics reported herein.



## EMPLOYEE ENGAGEMENT

ELC Good Works is the Company's internal platform used to report employee volunteerism, employee monetary donations, and ELC charitable matching gifts. The ELC Good Works guidelines outline program eligibility, criteria, and terms and conditions, as adapted to meet local requirements.

Metrics reflect information self-reported to ELC Good Works by eligible employees during fiscal 2021. In fiscal 2021, the ELC Good Works platform expanded to 17 markets outside the United States and the United Kingdom. At the end of fiscal 2021, ELC Good Works was available to eligible employees in 19 markets globally. Information related to brands acquired during or after fiscal 2020 (Have&Be and DECIEM) is excluded from the fiscal 2021 metrics.

During fiscal 2021, "eligible employees" included regular full-time and regular part-time employees in Argentina; Australia; Belgium; Brazil; Canada; Chile; Colombia; France; Germany; Hong Kong, SAR of China; India; Luxembourg; Mexico; Netherlands; Panama; Peru; Switzerland; and the United States. In the United Kingdom, "eligible employees" included corporate regular full-time, corporate regular part-time, and corporate fixed-term contract employees; all Jo Malone Global and Travel Retail employees; and regular full-time, regular part-time, and fixed-term contract employees at the Whitman manufacturing site.

The preparation of the employee engagement metrics requires management to establish the criteria, make determinations as to the relevancy of the information to be included, and make assumptions that affect reported information.

METRIC	FISCAL 2021 METRIC VALUE (THOUSANDS)	MANAGEMENT CRITERIA
Employee volunteer hours	12.8	Employee volunteer hours are hours that eligible employees self-report through ELC Good Works with regard to leading, organizing, or participating in either Company-organized volunteer efforts or individual eligible activities outside of normal working hours, in accordance with the ELC Good Works guidelines available to employees.
Employee donations	\$1,234	Employee monetary donations are donations that eligible employees self-report through ELC Good Works and must be personal donations from employees' own assets that are given to a 501(c)(3) organization in the United States or to similar organizations outside of the United States. Eligible organizations are determined under the ELC Good Works guidelines available to employees.
Amount matched by ELC	\$1,721	<p>ELC charitable matching gifts include: Company matches of employees' monetary donations at a 1:1 ratio unless specified otherwise by ELC; Company matches of employees' volunteer time (volunteer rewards such as \$20 per hour volunteered in the United States); and Company rewards which are gifted donation credits that employees can donate through ELC Good Works.</p> <p>To be eligible for matching, employees' donations and volunteer time must be recorded through ELC Good Works and be in accordance with the ELC Good Works guidelines.</p> <p>At specified times during fiscal year 2021, there were special matching campaigns during which ELC double matched (2x) eligible employee donations. Due to double match campaigns, volunteer rewards, and Company rewards, the total amount matched by ELC was higher than the total employee donations.</p>
% eligible employees participating in volunteerism and giving programs (as of June 30, 2021)	19%	<p>Participation in volunteerism and giving programs includes eligible employees who have self-reported at least one volunteer hour, self-reported at least one monetary donation, or redeemed at least one reward through ELC Good Works during fiscal 2021.</p> <p>Rewards are gifted monetary credits that the Company has added to the ELC Good Works accounts of eligible employees. Employees can use these rewards within the same fiscal year as they were gifted to make donations to organizations of their choosing through ELC Good Works.</p>

## EMPLOYEE SAFETY

Employee Safety metrics include ELC regular full-time, regular part-time, temporary full-time, and temporary part-time employees globally and contractors under direct supervision of an ELC employee globally. Information related to brands acquired during or after fiscal 2020 (Have&Be and DECIEM) is excluded from the fiscal 2021 metrics.

All rate metrics in the table below are as of June 30, 2021. Other metrics in the table below are reported for the fiscal year ending June 30, 2021. The data used in the calculations is obtained from internal ELC systems and is based on the OSHA definition for recordable incidents applied globally.

The preparation of the employee safety metrics requires management to establish the criteria, make determinations as to the relevancy of the information to be included, and make assumptions that affect reported information.

METRIC	FISCAL 2021 (METRIC VALUE)	MANAGEMENT CRITERIA
Total Recordable Incident Rate	0.18	Total Recordable Incident Rate is calculated using Occupational Safety and Health Administration (OSHA) recordability criteria defined as follows: (Total number of Recordable Incidents* 200,000) / Total ELC Hours Worked for the fiscal year.
Days Away, Restricted or Transfer Rate (DART)	0.15	DART is calculated using the OSHA recordability criteria defined as follows: (Total number of Recordable Incidents that resulted in Days Away, Restricted, or Transferred* 200,000) / Total ELC Hours Worked for the fiscal year.
Lost Time Frequency Rate	0.12	Lost time frequency rate is calculated using the OSHA recordability criteria defined as follows: (Total number of Recordable Incidents with Lost Time* 200,000) / Total ELC Hours Worked for the fiscal year.  Lost time incidents are any occupational injury or illness which results in an employee being unable to work a full assigned work shift (i.e., time off from work, or loss of productive work (absenteeism or delays)).
Total fatalities	0	Fatalities are calculated using the OSHA recordability criteria (defined as an employee death resulting from a work-related incident or exposure; in general, from an accident or an illness caused by or related to a workplace hazard). There were no reported fatalities for the fiscal year ended June 30, 2021.
Total Recordable Incidents	89	Total Recordable Incidents are measured using OSHA recordability criteria, by which an injury or illness is considered recordable if it results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, loss of consciousness, or a significant injury or illness diagnosed by a physician or other licensed health care professional.
# Recordable work-related injuries, by main types		Main types of injury include the top three most frequently occurring types of recordable work-related injuries for the fiscal year ended June 30, 2021.
<i>Slips, trips, and falls</i>	36	Recordable work-related incidents using OSHA recordability criteria and classified as slips, trips, and falls.
<i>Ergonomic injuries</i>	14	Recordable work-related incidents using OSHA recordability criteria and classified as ergonomic injuries.
<i>Struck by</i>	11	Recordable work-related incidents using OSHA recordability criteria and classified as struck by injuries.

## GREENHOUSE GAS (GHG) EMISSIONS AND ENERGY

ELC uses the operational control approach in accordance with the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) *Greenhouse Gas Protocol Initiative's Corporate GHG Accounting and Reporting Standard, Revised* ("GHG Protocol") to report energy consumption and direct and indirect GHG emissions for sites where ELC has operational control. These sites include manufacturing, distribution, innovation, office, salon, and free-standing store locations that were in operation for all or part of fiscal 2021. Information related to DECIEM, a brand acquired during fiscal 2021, is excluded from the fiscal 2021 metrics.

ELC uses the GHG Protocol to guide the criteria to assess, calculate, and report GHG emissions.

METRIC	FISCAL 2021 METRIC VALUE	MANAGEMENT CRITERIA
GHG EMISSIONS		
Scope 1	24.1 Thousand metric tons CO <sub>2</sub> equivalent	<ul style="list-style-type: none"> <li>Direct GHG emissions associated with onsite fuel consumption (natural gas and fuel oil) for the operation of ELC owned and leased locations globally, transport fuel (mobile gasoline and mobile diesel), stationary refrigerants, and mobile refrigerants for the ELC sales fleet.</li> <li>Excludes refrigerant sources at free standing stores, salon, office, and certain regional distribution and innovation locations.</li> <li>Does not take into account offsets purchased to cover Scope 1 GHG emissions.</li> <li>GHGs included as part of Scope 1 are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and hydro fluorocarbons (HFCs). The other GHGs of sulfur hexafluoride (SF<sub>6</sub>), perfluorocarbons (PFCs) and nitrogen trifluoride (NF<sub>3</sub>) are not emitted by ELC sites.</li> <li>Scope 1 emissions are based on fuel consumption, stationary refrigerants and mobile refrigerants, and transport fuel consumption multiplied by their associated emission factor.</li> <li>Our estimation methodology and emission factors used are described in the Emission Factors and Estimation Methodology sections.</li> </ul>
Scope 2	Market-based: 57.0 Thousand metric tons CO <sub>2</sub> equivalent  Location-based: 54.0 Thousand metric tons CO <sub>2</sub> equivalent	<ul style="list-style-type: none"> <li>Scope 2 emissions associated with purchased electricity, purchased district heat, and purchased steam for the operation of ELC owned and leased locations globally.</li> <li>Excludes renewable energy and other green power purchased.</li> <li>GHGs included as part of Scope 2 are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. The other GHGs of HFCs, SF<sub>6</sub>, PFCs, and NF<sub>3</sub> are not emitted by ELC sites.</li> <li>Scope 2 emissions are based on purchased electricity, purchased district heat, and purchased steam multiplied by their associated country or regionally specific emission factor.</li> <li>Our estimation methodology and emission factors used are described in the Emission Factors and Estimation Methodology sections.</li> </ul>
GHG intensity (normalized to net sales)	0.0	<ul style="list-style-type: none"> <li>GHG intensity is calculated as follows: [(Scope 1 GHG emissions (net of offsets)) + (Scope 2 market-based GHG emissions (net of renewables))]/Net Sales for fiscal 2021 in million US dollars.</li> <li>Offset or "carbon" offset is a unit or CO<sub>2</sub> equivalent that is reduced, avoided, or sequestered to compensate for emissions occurring elsewhere.</li> <li>Renewables include off-site generation (utility contracts), Energy Attribute Certificates (EAC) (e.g., Renewable Energy Certificate (REC) and Renewable Energy Guarantees of Origin (REGOs)), and a Virtual Power Purchase Agreement (VPPA).</li> <li>EACs are tradable commodities that package the environmental benefit achieved from a specific renewable energy project. One EAC is issued for each MWh unit of renewable electricity produced.</li> </ul>
ENERGY		
Total energy consumption within the organization	289.6 Thousand MWh	<ul style="list-style-type: none"> <li>Energy consumed from total fuel consumption and total electricity consumption.</li> </ul>

METRIC	FISCAL 2021 METRIC VALUE	MANAGEMENT CRITERIA
ENERGY <i>(continued)</i>		
Total fuel consumption, by source	128.7 Thousand MWh	<ul style="list-style-type: none"> <li>Fuel consumption from non-renewable and renewable fuel sources.</li> </ul>
<i>Non-renewable</i>	123.9 Thousand MWh	<ul style="list-style-type: none"> <li>Non-renewable fuels include fuel oil, natural gas, mobile gasoline, mobile diesel, and purchased steam.</li> <li>Fuel oil is used at certain manufacturing, distribution, office, and innovation locations. Natural gas is used at certain manufacturing, distribution, office, innovation, and salon locations. Mobile gasoline and mobile diesel are used by ELC owned and leased sales fleets in countries where ELC operates. Purchased steam is used by certain office locations.</li> <li>Actual activity data is sourced from direct measurement or third-party invoices when possible. Estimates are determined by fuel source type and are used when actual data is not available. Estimates are determined based on our estimation methodology described in the Estimation Methodology section.</li> </ul>
<i>Renewable</i>	4.8 Thousand MWh	<ul style="list-style-type: none"> <li>Renewable fuels include bio-fuel, on-site solar, and district heating from wood and wood residuals.</li> <li>Bio-fuel (Mobile Ethanol (E100)) is transport fuel used by ELC owned and leased sales fleet in one country where ELC operates. On-site solar energy is generated at and consumed by certain manufacturing, distribution, and office locations through solar photovoltaic (PV) installations. District heating is used at one distribution center and is sourced from wood and wood residuals.</li> <li>For accounting for on-site solar energy, we assume that on-site solar generation offsets the consumption of "brown energy" (i.e., non-green consumption) on a one-to-one basis.</li> <li>Actual activity data is sourced from direct measurement or third-party invoices when possible. Estimates are determined by fuel source type and are used when actual data is not available. Estimates are determined based on our estimation methodology described in the Estimation Methodology section.</li> </ul>
Total electricity consumption, by source	160.9 Thousand MWh	<ul style="list-style-type: none"> <li>Electricity consumed from non-renewable and renewable electricity sources.</li> </ul>
<i>Non-renewable</i>	0.0 Thousand MWh	<ul style="list-style-type: none"> <li>Electricity purchased other than by off-site generation (utility contracts), EACs, and a VPPA used at manufacturing, distribution, innovation, office, salon, and free-standing store locations.</li> <li>Actual activity data is sourced from direct measurement or third-party invoices when possible. Estimates are used when actual data is not available and are determined based on our estimation methodology described in the Estimation Methodology section.</li> </ul>
<i>Renewable</i>	160.9 Thousand MWh	<ul style="list-style-type: none"> <li>Electricity purchased through off-site generation (utility contracts), EACs, and a VPPA.</li> <li>Off-site generation of renewable electricity is through contractual agreements between ELC and a utility or energy service provider to have all or a percent of electricity supplied in whole or in part from renewable energy sources such as wind, solar, geothermal, hydropower, and/or biomass.</li> <li>EACs are tradable commodities that package the environmental benefit achieved from a specific renewable energy project. One EAC is issued for each MWh unit of renewable electricity produced.</li> <li>The VPPA agreement generates RECs through the Ponderosa wind farm project.</li> <li>Actual activity data is sourced from direct measurement or third-party invoices when possible. Estimates are used when actual data is not available and are determined based on our estimation methodology described in the Estimation Methodology section.</li> </ul>
Energy intensity (MWh normalized to net sales)	17.9	<ul style="list-style-type: none"> <li>Energy intensity is calculated as follows: Total energy consumption within the organization in MWh/Net Sales for fiscal 2021 million US dollars.</li> </ul>
% Global energy sourced from renewable energy	57.2%	<ul style="list-style-type: none"> <li>Percentage of global energy sourced from renewable energy is calculated as follows: (Renewable Fuel + Renewable Electricity in MWh) / (Total energy consumption within the organization in MWh) X 100</li> </ul>
ENERGY CONSERVATION PROJECTS		
Reduction of energy consumption due to conservation and efficiency measures	5.0 Thousand MWh	<ul style="list-style-type: none"> <li>Total estimated annual energy savings from projects implemented during fiscal 2021. Total energy savings are attributed to the year of project launch, regardless of timing during the fiscal year.</li> <li>Energy reduction is estimated based on engineering analysis provided by vendors, external consultants and internal sources.</li> <li>Includes projects implemented at certain manufacturing, distribution, and innovation locations where project plan, estimated savings, and funding is approved internally.</li> </ul>
Reduction of emissions due to conservation and efficiency measures	1.0 Thousand metric tons CO <sub>2</sub> equivalent	<ul style="list-style-type: none"> <li>Reduction of emissions are based on estimated annual energy savings from projects implemented during fiscal 2021 multiplied by their associated country or regionally specific emission factor.</li> <li>For projects at locations based in the United States, United States (U.S.) Environmental Protection Agency (EPA) eGRID 2019, released January 2021, emission factors are used. For projects at locations based in Canada, National Inventory Report: 1990-2019 Greenhouse Gas Sources and Sinks in Canada—Annex 13 (updated in 2021) emission factors are used. For projects at locations based in Europe, Association of Issuing Bodies 2020 Residual Mix emission factors are used.</li> </ul>

## BASE DATA

ELC uses fiscal 2018 as the baseline to which future years' GHG emissions are compared. Any changes in GHG emission methodology, emission factors, organizational boundary conditions (operational or financial control), or location portfolio are tracked against the fiscal 2018 GHG emissions.

For any acquisitions, base year data for the acquired location is added to the total base year data using actual data, if available, or estimated data based on the estimation methodology outlined below. For any divestitures, the base year data for the divested location is subtracted from total base year emissions.

As part of the fiscal 2021 data collection process, locations associated with ELC's recent acquisition, Have&Be, were added to energy and GHG emissions base data dating back to the start of the base year, fiscal 2018, or the inception of operations, whichever occurred later.

## EMISSION FACTORS

GHG emissions are determined on the basis of measured or estimated energy and fuel usage, multiplied by relevant carbon emission factors and for carbon dioxide equivalent emissions taking into account relevant global warming potentials from the Intergovernmental Panel on Climate Change Fifth Assessment Report. The table below outlines the emission factor sources used in the fiscal 2021 emissions calculations.

METRIC	EMISSIONS SOURCE TYPE	EMISSION FACTOR EMPLOYED
SCOPE 1	Natural Gas	United States (U.S.) Environmental Protection Agency (EPA) Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 1	Fuel Oil (#5 and #6)	U.S. EPA Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 1	Refrigerants (stationary and mobile)	Global Warming Potential from the Intergovernmental Panel on Climate Change Fifth Assessment Report (2013)
SCOPE 1	Mobile Diesel	U.S. EPA Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 1	Mobile Gasoline	U.S. EPA Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 1	Mobile Ethanol (E100) (Bio-fuel)	U.S. EPA Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 2	Purchased Electricity (U.S.)	Electricity emissions factors for U.S. locations are taken from the U.S. EPA eGRID 2019 released January 2021; emissions factors for Puerto Rico taken from Carbon Monitoring for Action (CARMA.org). Country Power Trends (last updated November 2012).
SCOPE 2	Purchased Steam (U.S.)	U.S. EPA Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 2	Purchased District Heat	U.S. EPA Emission Factors for Greenhouse Gas Inventories (2015) (issued in April 2021)
SCOPE 2	Purchased Electricity (Canada)	National Inventory Report: 1990-2019 Greenhouse Gas Sources and Sinks in Canada-Annex 13 (updated in 2021).
SCOPE 2	Purchased Electricity (Australia)	Australia's Department of Climate Change and Energy Efficiency-National Greenhouse Accounts Factors-Table 44 (released September 2020).
SCOPE 2	Purchased Electricity (All Other Markets)	Mexico: Programa GEI México. Factor de emisión eléctrico 2016; United Kingdom: Department for Environment, Food & Rural Affairs (DEFRA): Deriving Emissions linked to Climate Change (DECC) GHG Conversion Factors for Company Reporting-United Kingdom Electricity (August 2020, June 2021); All Others: International Energy Agency 2021 CO <sub>2</sub> Emissions from Fuel Combustion (published September 2021).
SCOPE 2	Purchased Electricity (Europe, excluding United Kingdom)	Market-based: Association of Issuing Bodies European Residual Mixes 2020: Version 1.0 2021-05-31; Table 2: Residual Mixes 2020, Direct CO <sub>2</sub> . Location-based: Country-specific emission factors (various sources)

## ESTIMATION METHODOLOGY

Estimation procedures were used to determine energy and GHG emissions data where measurement data is not readily available as noted in the table below. These estimates account for approximately 12% of Scope 1 and approximately 30% of both market-based and location-based Scope 2 emissions.

METRIC & EMISSION SOURCE TYPE	ESTIMATION METHODOLOGY
Scope 1: Onsite Fuels	<p>If actual fuel usage amounts are unavailable, but it is known that a facility uses a fuel (e.g., natural gas), usage data is estimated. For natural gas, intensity factor averages from other sites are used to estimate fuel use for sites where only fuel cost is available. For sites that use natural gas that receive no fuel or cost data, the building square footage is used to estimate usage based on similar sites' usage intensities or average benchmark natural gas intensities. Commercial Buildings Energy Consumption Survey (CBECS) natural gas intensity for office space is the primary default benchmark used when no site-specific data is available for offices.</p> <p>Estimations are performed on an annual, or for all missing months, basis, in order to estimate natural gas usage across sites where natural gas usage was confirmed to be a fuel source.</p> <p>For fuel oil, in cases where actual fiscal 2021 usage amounts are unavailable, fiscal 2020 usage amounts are carried forward.</p>
Scope 1: Transport Fuels	<p>If actual fuel usage amounts are unavailable, usage is estimated based on the available transport data. In the United States and Canada, gallons of fuel purchased is reported and used as assumed fuel usage. In the United Kingdom and Belgium, lease agreements and fuel economy are reported and used to estimate annual mileage and fuel usage. In Brazil, for vehicles without reported usage, average kilometers driven per vehicle per year is reported and used to estimate fuel usage. In all other countries with mobile fuel usage, a combination of total number of vehicles, mileage, and/or liters of fuel used are reported and used to calculate fuel usage.</p>
Scope 1: Mobile Refrigerants	<p>Estimations are performed to calculate mobile refrigerant usage for ELC owned and/or leased sales fleet vehicles. Estimates are based on the total sales fleet vehicle count by country and average refrigerant recharge and loss per vehicle.</p>
Scope 1: Stationary Refrigerants	<p>No estimations are made for stationary refrigeration usage as recharge fluctuates year-over-year. Only ELC locations with operational control over their HVAC systems report actual refrigerant recharge (usage) data. In fiscal 2021, actual refrigerant usage was reported at ELC manufacturing and certain distribution and innovation locations.</p>
Scope 2: Purchased Electricity	<p>ELC employs several methods to estimate electricity usage when actual activity data is unavailable. In some cases, locations provided their own estimates based on partial activity data, invoices, and cost data. In the case where locations are unable to provide relevant data (common for many ELC international leased office and free-standing stores), the preferred method of estimation is based on square footage of office, free-standing store, or salon space.</p>
Scope 2: Purchased District Heating	<p>No estimates were made for purchased district heating as actual data was available for all relevant locations.</p>
Scope 2: Purchased Steam	<p>Estimates are made using the CBECS intensity factor (kWh/ft<sup>2</sup> per year) for purchased district heat for office locations. The factor was applied to the square footage of the relevant office locations to estimate the amount of purchased steam.</p>

## EXCLUSIONS

Each year, we aim to refine our energy and GHG emissions metrics reported. Metrics exclude GHG emissions associated with refrigerant sources at free-standing stores, salon, office, and certain regional distribution and innovation locations.

## UNCERTAINTY

GHG emissions quantification is subject to inherent measurement uncertainty because of such things as GHG emissions factors that are used in mathematical models to calculate GHG emissions and the inability of these models, due to incomplete scientific knowledge and other factors, to accurately measure under all circumstances the relationship between various inputs and the resultant GHG emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data.

