

F0. Introduction

F0.1

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

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

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

F0.2

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

	Start Date	End Date
Reporting year	July 1 2018	June 30 2019

F0.3

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

USD

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization's area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Manufacturing	<Not Applicable>
Palm oil	Disclosing	Manufacturing	<Not Applicable>
Cattle products	Not disclosing	Manufacturing	A very limited number of our brands use genuine leather on their packaging. Leather made up less than 0.01% of our packaging volumes in FY19.
Soy	Not disclosing	Manufacturing	We use some soy products in our manufacturing processes.
Other - Rubber	Not disclosing	Manufacturing	We use rubber in a very small proportion of our packaging.
Other - Cocoa	Not disclosing	Manufacturing	We use cocoa products in our manufacturing processes.
Other - Coffee	Not disclosing	Manufacturing	We use coffee products in our manufacturing processes.

F0.5

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

Yes

F0.5a

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

Value chain stage	Exclusion	Description of exclusion	Potential for forests-related risk	Please explain
Supply chain	Other, please specify (Products manufactured by Third-Party Manufacturers that contain palm-based ingredients not directly procured by ELC.)	Products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies.	Potential for forests-related risk, evaluated, but not disclosing to CDP	Our disclosure excludes products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies. While we have direct control over our own purchase of palm, we are also able to influence our larger network of suppliers and partners. In early CY2020, we informed our TPMs third-party manufacturers that they should use palm ingredients that are from an RSPO physically certified sustainable source (Mass Balanced, Segregated or Identity Preserved) to further advance our commitment to ensuring sustainable palm oil supply chains. We will be working with our third-party manufacturers to support the increase of RSPO certified palm ingredients in the products made on our behalf.

F1. Current state

F1.1

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

Timber products

Activity

Buying manufactured products

Form of commodity

Secondary packaging
Tertiary packaging

Source

Contracted suppliers (manufacturers)

Country/Area of origin

Chile
Estonia
Finland
France
Germany
Latvia
Poland
Russian Federation
Spain
Sweden
United States of America
Uruguay

% of procurement spend

1-5%

Comment

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

Palm oil

Activity

Using as input into product manufacturing

Form of commodity

Palm oil derivatives
Palm kernel oil derivatives

Source

Contracted suppliers (manufacturers)

Country/Area of origin

Brazil
Indonesia
Malaysia

% of procurement spend

<1%

Comment

Palm oil and Palm kernel oil derivatives make up less than 1% of ELC's direct procurement spend.

F1.2

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

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

F1.5

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

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

F1.5a

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

Forest risk commodity

Timber products

Data type

Consumption data

Volume

24079

Metric

Metric tons

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

Forest risk commodity

Palm oil

Data type

Consumption data

Volume

4026

Metric

Metric tons

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

F1.5b

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

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Jambi, Central Kalimantan, Riau, W. Kalimantan, North Sumatra, Lampung, S Kalimantan, East Kalimantan, W Sulawesi, W Sumatra, S Sumatra, Aceh, Bengkulu, Bangka Belitung, North Kalimantan, Central Sulawesi, SE Sulawesi, W Papua, Gorontalo, Papua)

% of total production/consumption volume

55.2

Please explain

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY19 we included 92% of volumes in this traceability exercise.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Peninsular, Sabah, Sarawak)

% of total production/consumption volume

35.3

Please explain

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY19 we included 92% of volumes in this traceability exercise.

Forest risk commodity

Palm oil

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Pará)

% of total production/consumption volume

0.05

Please explain

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY19 we included 92% of volumes in this traceability exercise.

Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (North Santander, Meta, Vichada)

% of total production/consumption volume

0.5

Please explain

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY19 we included 92% of volumes in this traceability exercise.

Forest risk commodity

Palm oil

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

0.95

Please explain

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY19 we included 92% of volumes in this traceability exercise. "Any other countries" includes: India, Cambodia, Papua New Guinea, Solomon Islands, Costa Rica, Guatemala, Honduras, Cameroon and Gabon

Forest risk commodity

Palm oil

Country/Area of origin

Unknown origin

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

8

Please explain

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY19 we included 92% of volumes in this traceability exercise.

Forest risk commodity

Timber products

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

57

Please explain

57% of timber consumption volumes (sum of total secondary and tertiary volumes traceable /Sum of total Secondary & Tertiary volumes) are from the following countries: United States, Germany, Chile, Uruguay, Sweden, Finland, Spain, Latvia, Estonia, Russia, France, Poland and Canada.

Forest risk commodity

Timber products

Country/Area of origin

Unknown origin

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

43

Please explain

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

F1.6

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

No

F2. Procedures

F2.1

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

Yes, forests-related risks are assessed

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

Supply chain

Coverage

Full

Risk assessment procedure

Assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods

External consultants

NEPCon Sourcing Hub

Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level, we look into Sustainability risks through EcoVadis assessments. EcoVadis ratings assess environmental impacts among others. Each supplier that participates answers a questionnaire and provides supporting documentation on the EcoVadis platform. We focus our risk assessment on Strategic and Joint Value Creation (JVC) suppliers. These are critical suppliers with broad and unique capabilities. We have prioritized these suppliers because they comprise almost half of our Direct Spend. We are strategically partnering with these suppliers, as we're making investments to grow with them and we anticipate that their actions will significantly affect our supply chain's environmental impact. In FY19 85% of JVC and Strategic suppliers were assessed. In FY20 we worked with NEPCon, a non-profit working on sustainable land use and responsible trade of forest commodities. NEPCon provided ELC staff with Timber Legality training and created an action plan to develop a robust Due Diligence System (DDS) for sourcing timber-based products. As a result ELC is currently implementing a DDS procedure which includes a risk assessment based on supplier and sub-supplier information on the origin and supply chains of timber-based products. We use NEPCon Sourcing hub to access countries' timber risk assessments. Risks are considered on a longer timeline - at the ingredient level, we continue leveraging the raw ingredient materiality assessment conducted by Business for Social Responsibility (BSR) which identified the risk level on several focus areas, from none to severe. One of those focus areas was Biodiversity & Deforestation, specifically targeting the degree to which ingredients may contribute to deforestation and damage to ecosystems of high conservation value caused by land-use change from raw material extraction, processes and distribution. We've prioritized certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits.

Palm oil**Value chain stage**

Supply chain

Coverage

Full

Risk assessment procedure

Assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods

External consultants

Global Forest Watch Pro

National specific tools and databases

Please explain

At ELC, we cover and assess forest risks at the supplier and ingredient levels. At the supplier level, we investigate sustainability risks through EcoVadis. Each supplier that participates answers a questionnaire and provides supporting documentation on the EcoVadis platform. We focus our risk assessment on Strategic and Joint Value Creation (JVC) suppliers. We have prioritized these suppliers because they comprise almost half our Direct Spend. In FY19 85% of JVC and Strategic suppliers were assessed. At the ingredient level, risks are considered on a longer timeline. We continue leveraging the raw ingredient materiality assessment conducted by Business for Social Responsibility (BSR), which identified the risk level on several focus areas, from none to severe. One area was Biodiversity & Deforestation, specifically targeting the degree to which ingredients may contribute to deforestation and damage high conservation value ecosystems caused by land-use change from raw material extraction, processes and distribution. We've identified certain ingredients for which we are creating robust biodiversity and social action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits. As part of our Palm specific action plan, we are increasing our traceability of the complex derivative supply chain through our ASD partnership, through which we annually undergo a traceability exercise to map our supply chain and perform a risk assessment at the providence and mill level based on GFW Pro. These results help to identify priority areas and suppliers for engagement and improvement. ELC also engaged with a third-party consultancy to complete a climate change risk assessment for palm oil, to better understand the risks driven by climate change in the next ten years. The assessment covered key aspects of the palm oil value chain including risks to plantations and smallholders, mills, transportation, and refineries and used national tools and databases such as FAOSTAT database and data from Global Forest Watch and Indonesia Ministry of Forestry to assess palm oil locations and their associated risks in Indonesia. Through this assessment, key physical risks were identified with the potential to impact the yields and supply of palm-based derivatives in the future. ELC is using the outputs of this study to inform future strategy.

(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?**Availability of forest risk commodities****Relevance & inclusion**

Relevant, always included

Please explain

ELC needs long-term access to forests-related commodities as they are of critical importance to the value of its products both from formula and packaging performance perspectives which is why it is considered relevant and included in ELC's risk assessments. We evaluate the availability of forest-risk commodities in our Enterprise Risk Management (ERM) process, which assesses sustainability risks to the company on an annual basis. Specifically, in the ERM process, we analyze the risks associated with the availability of forest-risk commodities taking into account the potential impact and likelihood of this risk. Once the risks have been evaluated, we identify the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk.

Quality of forest risk commodities**Relevance & inclusion**

Relevant, always included

Please explain

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

Impact of activity on the status of ecosystems and habitats**Relevance & inclusion**

Relevant, always included

Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level, we assess Sustainability risks using assessments completed through the EcoVadis platform. EcoVadis ratings assess environmental impacts, including biodiversity (ecosystems and habitats). We partner with suppliers to improve CSR performance, through improvement plans. This issue is also covered in the raw ingredient materiality assessment performed by Business for Social Responsibility (BSR) in FY19, which we continue to leverage today. BSR conducted a materiality assessment based on sustainability & business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas was Biodiversity & Deforestation, specifically targeting the degree to which ingredients may contribute to deforestation and damage ecosystems of high conservation value caused by land-use change from raw material extraction, processes and distribution. We have currently identified certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits.

Regulation**Relevance & inclusion**

Relevant, always included

Please explain

As a global company, ELC is subject to the laws which apply to all similarly situated companies and strives to adopt an exemplary attitude. Regulatory risks are systematically identified and assessed on an ongoing basis by internal and external counsel and our employees to ensure that ELC remains in compliance of ongoing changes to all regulations and these mitigation efforts are captured as part of our Enterprise Risk Management (ERM) process taking into account the potential impact and likelihood of the risk. The ERM process includes identification of the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk.

Climate change**Relevance & inclusion**

Relevant, always included

Please explain

At ELC, we cover and assess forests-related risks at the supplier and ingredient levels. At the supplier level, we assess Sustainability risks using assessments completed through the EcoVadis platform. EcoVadis ratings assess environmental impacts among others, including climate change. Climate related areas are covered such as Energy Consumption & GHGs, Water, and Pollution, among others. For example, suppliers are assessed on the actions they have in place regarding the reduction of energy consumption and the emissions of GHG. We partner with suppliers to improve CSR performance, through improvement plans. This issue is also covered in the ingredient risk assessment performed by Business for Social Responsibility (BSR). Our objective was to develop a list of priority ingredients considered high risk from a sustainability perspective. BSR conducted a materiality assessment based on sustainability & business criteria. The assessment identified the risk level on several focus areas, from none to severe. One of those focus areas was Climate Change Mitigation and Adaptation, specifically targeting the degree to which the category of ingredients may contribute to climate or be exposed to climate change risks, from raw material raw extraction, processes and distribution. We have currently identified certain ingredients for which we are creating robust biodiversity and social action plans. For each ingredient, we are developing and implementing action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits.

Impact on water security

Relevance & inclusion

Relevant, always included

Please explain

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

Tariffs or price increases

Relevance & inclusion

Relevant, always included

Please explain

Our forests-related risk assessment evaluates the risks associated with tariffs or price increases. Tariffs or price increases are considered in our annual Enterprise Risk Management process, where we evaluate sustainability-related risks to our company, considering the potential impact and likelihood of the risk. Once the risks have been evaluated, we identify the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk.

Loss of markets

Relevance & inclusion

Relevant, always included

Please explain

Working within a competitive business market, we recognize the importance of shifting evolution in customer preferences and expectations regarding sustainable consumption choices. Failure to recognise the importance of consumers' changing behaviour may lead to reduced demand and consequent loss of revenue. Consequently, control of risks associated with the procurement of forest-related commodities is recognised as a key sustainability challenge for ELC and is factored into our forests-related risk assessments. We consider the risk of loss of markets associated with ingredient commodities linked to deforestation by integrating the risk into our Enterprise Risk Management Process. The ERM process assesses risk depending on the potential impact and likelihood of the identified risk and includes identification of the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk.

Brand damage related to forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

Brand reputation is important to our company and is always considered in our forests-related risk assessment. We evaluate the risk to brand reputation associated with forest risk commodities on an annual basis as part of our Enterprise Risk Management process, which assesses the potential impact and likelihood of the identified risk. Once the risks have been evaluated, we identify the relevant risk mitigation owner within the business, who can take action to mitigate or respond to the risk.

Corruption

Relevance & inclusion

Relevant, always included

Please explain

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

Social impacts

Relevance & inclusion

Relevant, always included

Please explain

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

Other, please specify

Relevance & inclusion

Please select

Please explain

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

Relevant, always included

Please explain

Consumers are essential stakeholders for our company and are always included in risk assessments. We use our Enterprise Risk Management process to evaluate the impact of forests-related risks on our consumers, such as consumers' concerns about products linked to deforestation. These concerns are evaluated through scenario analysis on an annual basis through our Enterprise Risk Management process. In terms of engagement, we identify consumers' concerns through social listening and consumer insights research. We further engage with consumers through consumer-facing statements and claims, which highlight our forests related commitments. For instance, in FY20, we published a public No Deforestation, No Peat, No Exploitation (NDPE) policy.

Employees**Relevance & inclusion**

Relevant, always included

Please explain

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

Investors**Relevance & inclusion**

Relevant, always included

Please explain

Investors are essential stakeholders for our company and as such, they are always considered in our forests-related risk assessments. We evaluate forests-related risks through our annual Enterprise Risk Management process. We engage with Investors on Forests-related risks by responding to investor-facing disclosures, such as CDP Forests. We also engage with our investors on forests-related risks through periodic investor calls.

Local communities**Relevance & inclusion**

Relevant, always included

Please explain

We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and who demonstrate the same commitment to operating responsibly and ethically across all facets of business. We believe that our Company's long-term success is closely tied to the vitality of the communities where we have a presence. Given this, local communities are always included in our risk assessment through our supplier assessments. We assess suppliers' CSR performance through Code of Conduct-aligned audits conducted by a leading third-party monitoring organization or through EcoVadis assessments. EcoVadis is an internationally recognized, collaborative CSR platform that helps us measure and drive suppliers' CSR improvements in the areas of labor & human rights, environmental management and ethical business practices. We partner with suppliers to improve CSR performance, through improvement plans. Through the work we do with our suppliers we also consider the impacts on the local communities we source from. For example, in November 2018 we joined and kicked off The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the Roundtable on Sustainable Palm Oil (RSPO), Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers (i.e. farmers who own or cultivate farms that are less than 2.0 hectares of land) in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2021. Key components of Project Lampung include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers in the local communities. The Project also seeks to improve communication and support the development of market linkages between farms and mills, as well as provide long-term technical support after formal training has ended. With more sustainable practices in place, harvest yields should improve and local farmers should have greater ability to sell collectively.

NGOs**Relevance & inclusion**

Relevant, always included

Please explain

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

Other forest risk commodity users/producers at a local level

Relevance & inclusion

Relevant, always included

Please explain

We believe that other forest risk commodity producers such as local smallholder producers/growers are important stakeholders for our business and are therefore always considered in our forest risk assessment. We engage and support smallholder farmers in several ways. Through the purchase of RSPO Independent Smallholder Credits equivalent to about 25% of our annual palm volumes in 2019, ELC has supported 1,145 independent smallholders in Indonesia, Malaysia and Thailand. Additionally, The Estée Lauder Companies, BASF and the Roundtable on Sustainable Palm Oil (RSPO) are partnering with the civil society organization Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia. The project supports independent Indonesian smallholder farmers to improve their livelihoods and their sustainable production of palm oil and PKO. The program achieves these goals by offering continuous education and technical support on implementing and maintaining sustainable palm oil practices. The project's target is that a minimum of one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years. The project partners are collaborating with the Indonesian government to foster a sustainable palm oil production supply chain in Lampung that is free from deforestation and competitive in the global market, while increasing the social and economic benefits for farmers.

Regulators

Relevance & inclusion

Relevant, always included

Please explain

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

Suppliers

Relevance & inclusion

Relevant, always included

Please explain

We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and who demonstrate the same commitment to operating responsibly and ethically across all facets of business. Our suppliers are always included in our risk assessment. We assess suppliers' CSR performance through COC-aligned audits conducted by a leading third-party monitoring organization or through EcoVadis assessments. EcoVadis is an internationally recognized, collaborative CSR platform that helps us measure and drive suppliers' CSR improvements in the areas of labor & human rights, environmental management and ethical business practices. We partner with suppliers to improve CSR performance, through improvement plans.

Other stakeholders, please specify

Relevance & inclusion

Please select

Please explain

F3. Risks and opportunities

F3.1

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

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

F3.1a

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

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

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

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

In line with our Enterprise Risk Management framework, ELC defines financial impact on a 5-point scale ranging from very low to high. An inherent risk is considered substantive from a financial point of view when its impact exceeds 1% of annual net sales (\$14836 million in FY19, as per 10K). From a strategic standpoint, we consider a risk to be substantive when the reputation of ELC or one of our brands has the potential to be impacted in a meaningful way (e.g., loss of consumer confidence/trust, loss of sales via boycotts). These definitions are applied to risks concerning both direct operations and supply chain.

F3.1b

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

Forest risk commodity

Timber products

Type of risk

Reputational and markets

Geographical scale

Country

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Negative media coverage

Primary potential impact

Brand damage

Company-specific description

Negative media coverage of deforestation could be associated with our company or brands and result in consumer backlash, which could lead to a reduced demand for our products. Specific markets where there is greater consumer concern about sustainability issues, could be particularly impacted. For instance, a 2019 study commissioned by the European Commission Directorate-General for Trade finds an increased demand for sustainably sourced products in France, Germany, Italy, the Netherlands and Spain, all markets where ELC operates.

Timeframe

1-3 years

Magnitude of potential impact

Medium

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

We have not yet quantified the impact that negative media coverage of deforestation associated with timber-related deforestation could have on our business. While timber-containing product packaging makes up 91-99% of our revenue, we have taken steps to protect ourselves from this kind of consumer backlash, such as establishing a goal

to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. Given this, we believe that the magnitude of this risk would be medium.

Primary response to risk

More ambitious forest-related commitments

Description of response

ELC has developed a No Deforestation, No Peat, No Exploitation (NDPE) policy in FY20. This response is anticipated to be effective in mitigating brand and reputational risks associated with timber products, as it clearly communicates the value that ELC places on sustainable forest commodities, such as timber, to our consumers, and outlines our actions to meet the policy commitments.

Cost of response

15000

Explanation of cost of response

The development of an NDPE policy was considered an integral and small part of the job descriptions of a number of existing employees. Engagement with an external consultant to advise on the development of this policy cost \$15,000.

Forest risk commodity

Timber products

Type of risk

Regulatory

Geographical scale

Country

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Changes to national legislation

Primary potential impact

Increased compliance costs

Company-specific description

ELC currently complies with timber regulations in the countries that we source timber from. This includes the EU Timber Regulation in Europe, the Lacey Act in the United States and Australian Timber Regulations. There is a risk that these regulations will increase in their coverage or that other regulations in our sourcing countries will be developed, leading to increased compliance costs.

Timeframe

Current - up to 1 year

Magnitude of potential impact

Medium

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

We currently do not assess the financial impact from compliance activities however consider this risk to be strategically substantive based on ELC's Enterprise Risk Management framework criteria. An inherent risk is considered substantive from a financial point of view when its impact exceeds 1% of annual net sales (\$14836 million in FY19). From a strategic standpoint, we consider a risk to be substantive when the reputation of ELC or one of our brands has the potential to be impacted in a meaningful way (e.g., loss of consumer confidence/trust, loss of sales via boycotts). These definitions are applied to risks concerning both direct operations and supply chain.

Primary response to risk

Greater due diligence

Description of response

In FY20 we worked with NEPCon, an expert non-profit working on sustainable land use and responsible trade of forest commodities. NEPCon provided ELC staff with Timber Legality training and created an action plan to develop a robust Due Diligence System (DDS) for sourcing timber-based products. As a result, ELC is currently implementing a DDS procedure which includes a risk assessment based on supplier and sub-supplier information on the origin and supply chains of timber-based products. We use NEPCon Sourcing hub to assess countries timber risk assessments. The DDS also includes risk mitigation actions depending if specified risk is identified.

Cost of response

57500

Explanation of cost of response

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

Forest risk commodity

Palm oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Negative media coverage

Primary potential impact

Brand damage

Company-specific description

Negative media coverage of deforestation in Indonesia or Malaysia, where the majority of our palm oil ingredient derivatives are sourced, could be associated with our company or brands and result in consumer backlash.

Timeframe

1-3 years

Magnitude of potential impact

Medium-high

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

We have not yet quantified the impact that negative media coverage of deforestation associated with palm oil could have on our business. However, because products that contain palm oil make up 81%-90% of our revenue, we believe that the magnitude of this risk could be medium-high.

Primary response to risk

More ambitious forest-related commitments

Description of response

ELC developed a No Deforestation, No Peat, No Exploitation (NDPE) policy in FY20. It is anticipated that this policy will be an effective response to mitigate brand and reputational risks associated with palm oil. In addition, it will clearly communicate the value that ELC places on sustainable forest commodities, such as palm oil, to our consumers, and outlines our actions to meet the policy commitments.

Cost of response

15000

Explanation of cost of response

The development of an NDPE policy is considered an integral and small part of the job descriptions of a number of existing employees. Engagement with Rainforest Alliance to advise on the development of this policy cost \$15,000.

Forest risk commodity

Palm oil

Type of risk

Physical

Geographical scale

Country

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Changes in precipitation patterns

Primary potential impact

Reduction or disruption in production capacity

Company-specific description

ELC completed a climate change risk assessment of palm oil to determine how climate change could substantively impact its palm oil supply chain in the next 10 years. We identified a risk of an increase in dry periods driven by changes in precipitation patterns and warmer temperatures in Malaysia and Indonesia, two of ELC's sourcing regions. This has the potential impact of reducing yields and thus supply of palm oil. Because products that contain palm oil make up 81-90% of ELC's revenue, variability or reduction in supply could impact the business substantively.

Timeframe

>6 years

Magnitude of potential impact

Medium-high

Likelihood

More likely than not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

We have not quantified the financial impact of changes in precipitation patterns on palm oil supply, however, recognise that it has the potential impact to reduce yields and thus supply of palm oil. Because products that contain palm oil make up 81-90% of ELC's revenue, variability or reduction in supply could impact the business substantively in line with ELC's substantive impact definition.

Primary response to risk

Increased use of sustainably sourced materials

Description of response

To reduce this risk, ELC has set a target to purchase 100% RSPO-certified palm-based derivatives by the end of 2025* to ensure that all purchased palm oil ingredients adhere to the RSPO criteria and ELC has more detailed information about the practises used at plantation level. To achieve this target, ELC developed a No deforestation, No peat, No exploitation (NDPE) policy in FY20, and continues to work with its suppliers to ensure that they meet the policy criteria. ELC also uses EcoVadis to complete supplier assessments against key criteria and collect information related to climate change and deforestation. * Excludes products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies. This exclusion applies to all references to our 2025 goal to source 100% RSPO-certified palm-based derivatives.

Cost of response

1400000

Explanation of cost of response

The cost of response includes the one-off cost to develop our NDPE policy and annual costs of our supplier engagement platform, annual costs of NGO memberships and projected annual costs for procurement of certified materials.

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

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

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

Timber products

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased brand value

Company-specific description & strategy to realize opportunity

Consumers and employees are increasingly drawn to purpose-driven brands and companies, and so companies that are actively demonstrating their deforestation commitments and progress may have a competitive advantage over other companies. We have a long history of giving back and improving the places where we live and work. Our strategy to realize this opportunity was to set a goal for our cardboard packaging to be FSC certified. The goal that we set in FY19 is to use responsibly-sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. Additionally, the certification covers legality: Legal right to harvest, taxes and fees, timber harvesting activities/regulations, Third parties' rights and Trade and transportation. It also has a robust system of safeguards to ensure forest owners/ managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. This target along with other sustainable packaging and ESG targets will enable ELC to continue to advance its commitment to responsible corporate citizenship. These enterprise-wide goals will drive value for our brands as they align and innovate to meet these commitments.

Estimated timeframe for realization

4-6 years

Magnitude of potential impact

Low

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

141000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

We believe sustainability and in this case, sustainable timber-based products, is increasingly important to our consumers ultimately influencing purchasing behaviour. Our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing Sustainable timber-based products provides value to our purpose driven brands. We've calculated this \$141M opportunity to be projected revenue of FSC certified packaged products of selected brands, times * times the 48 percent of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Note: Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021).

Forest risk commodity

Palm oil

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Supply chain

Primary forests-related opportunity

Increased brand value

Company-specific description & strategy to realize opportunity

While we at The Estée Lauder Companies are a comparatively low volume user of palm oil, palm fruit oil and palm kernel oil (PKO) derivatives, we are sensitive to the issues and complexities surrounding the sustainable production and traceability of such ingredients. Consumers and employees are increasingly drawn to purpose-driven brands and companies; 48 % of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Note: Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021). Companies that are actively demonstrating their deforestation commitments and progress may have a competitive advantage over other companies. In keeping with our deeply rooted values, ELC endeavors to source our ingredients and materials responsibly and sustainably with attention to their potential impacts on people and the planet. Our strategy to realize this opportunity includes setting a target to purchase 100% RSPO-certified palm-based derivatives by the end of 2025 and at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. The RSPO and other stakeholders are working to establish a palm oil supply chain that protects native forests. Many companies such as ours have made commitments to source their palm oil supply sustainably to prevent deforestation. These targets demonstrate our commitment to responsible sourcing of palm oil.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

562000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

We believe Sustainability and, in this case, Sustainable Palm Oil is increasingly important to our consumers ultimately influencing purchasing behaviour. Our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing Sustainable palm derived ingredients provides value to our purpose driven brands. We've calculated this \$562M opportunity to be projected revenue of palm containing products of selected brands, times the 48 percentage of consumers that "say they would definitely or probably change their consumption habits to reduce their impact on the environment". (Note: Using 48% as an indicator, extrapolating US data cited on Nielsen's 2018 article: Was 2018 the Year of the Influential Sustainable Consumer? U.S. Sustainability Market to Reach \$150 billion by 2021)

F4. Governance

F4.1

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

Yes

F4.1a

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

Position of individual	Please explain
Board Chair	Our Executive Chairman is a member of the Board's Nominating and Governance Committee, which oversees the company's citizenship and sustainability matters. The Nominating and Governance Committee has oversight responsibility for forest-related issues. In addition, the SVP, Global Corporate Citizenship and Sustainability reports directly to the Board Chair.
Chief Executive Officer (CEO)	Our CEO directly oversees an internal Sustainability committee, which is a cross-functional senior-management-level team charged with integrating citizenship and sustainability considerations into business strategy and operations. This committee is chaired by the EVP of Supply Chain and the SVP of our Global Corporate Citizenship and Sustainability (GCCS). Guided by the CEO, the committee is responsible for setting the citizenship and sustainability policies of the Company, including those pertaining to forest-related issues. GCCS establishes corporate-wide goals and objectives for our company on an annual and long-term strategic basis, in partnership with key internal functions regarding Sustainability. The EVP of Supply Chain and the SVP of GCCS report directly to the CEO.

F4.1b

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

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	GCCS provides periodic updates on the company's citizenship and sustainability initiatives and performance at the Board and committee level. As of July 2019, Corporate Citizenship and Sustainability is a standing agenda item scheduled for the Nominating and Governance committee of the Board of Directors. During Nominating and Governance Committee meetings, the Senior Vice President of Global Corporate Citizenship and Sustainability reports out on progress against ELC's sustainability goals, which include forests-related goals set in FY19: - At least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains by the end of 2025. - Our ambition is to use responsibly-sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025

F4.2

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

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

F4.3

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

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

F4.3a

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

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Procurement Officer (CPO)	Achievement of commitments and targets	Our Chief Procurement Officer's annual performance review and remuneration package includes the successful delivery of ELC's Responsible Sourcing and Supplier Sustainable strategy. As part of our Responsible sourcing program we have commitments to NDPE Policy compliance. Key performance indicators to measure successful progress towards our no deforestation commitments include percentage of RSPO physically certified sustainable palm based ingredients and percentage of FSC certified forest-based fiber carton.
Non-monetary reward	Chief Procurement Officer (CPO)	Achievement of commitments and targets	Our Chief Procurement Officer's annual performance review and associated performance rating includes the successful delivery of ELC's Responsible Sourcing and Supplier Sustainable strategy. As part of our Responsible sourcing program we have commitments to NDPE Policy compliance. Key performance indicators to measure successful progress towards our no deforestation commitments include percentage of RSPO physically certified sustainable palm based ingredients and percentage of FSC certified forest-based fiber carton.

F4.4

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

No, and we have no plans to do so

F4.5

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

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

F4.5a

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

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to protect rights and livelihoods of local communities Recognition of the overall importance of forests and other natural ecosystems Recognition of potential business impact on forests and other natural habitats Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy Description of forests-related standards for procurement	ELC recognizes the importance of forest-based commodities to our business, particularly as they relate to our product packaging and raw ingredients. We developed our No Deforestation, No Peat, No Exploitation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. The policy covers all suppliers globally with whom ELC engages, as well as all biomes and ecoregions impacted by our direct operations and supply chains. To reflect ongoing best practices that are developing in each of our commodity supply chains, as well as our overall organization strategy, we will proactively review this policy annually.

F4.5b

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

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Recognition of the overall importance of forests and other natural ecosystems Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related standards for procurement	Through our NDPE policy and FSC targets, we specify the principles and goals that are applicable for our timber products and these are in the process of being formalised into a timber policy this year. The selected content was included because they best align with ELC's sustainable packaging strategy and reflect the targets and goals we have implemented to achieve this. Our NDPE policy recognizes the value and importance of forests and commits to no deforestation or conversion of natural forests. To achieve this, we have an ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. We will report on this process annually as appropriate.

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	Yes	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related standards for procurement	Through our NDPE policy and palm oil action plan, we specify the principles and goals of our commitment to responsibly sourcing palm oil. The selected content was included because they best align with ELC's sustainable sourcing strategy and reflect the targets and goals we have implemented to achieve this. The palm oil viewpoint details our adoption of a No Deforestation, No Peat, No Exploitation (NDPE) policy and expect our suppliers of palm-based ingredients (palm oil and its derivatives) to meet these criteria, which are sourced from the Accountability Framework. We will proactively review this policy annually. It also lists our time-bound commitments and targets: • 100% of our palm-based ingredients* are RSPO Certified through a combination of RSPO supply chain certification methods (physical supply chains such as Mass Balance and Identify Preserved, as well as Book & Claim credits). • At least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025.* Until we are able to purchase 100% palm-based ingredients from physical supply chains, we will annually purchase RSPO Book & Claim Credits to offset the use of non-sustainable palm-based ingredients that we procure directly. We review these actions and goals on an ongoing basis and update the information annually on our website. *Excludes products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F4.6

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

Yes

F4.6a

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

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

F4.6b

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

Forest risk commodity

Timber products

Criteria

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

Operational coverage

Supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

No cutoff date

Commitment target date

2020

Please explain

In FY20, we published our No Deforestation, No Peat, No Exploitation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. Further, the NDPE commits us to conduct due diligence of raw material sourcing to ensure compliance with these criteria. We will begin this process by conducting key commodity supplier compliance assessments, including timber, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies publicly committed to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. Through the FSC, forest managers must meet the FSC's Principles and Criteria, which sets out 10 principles and 70 criteria to ensure that forest management is 'of environmentally appropriate, socially beneficial and economically viable'. These criteria include commitments to upholding the principles and rights at work as defined in the ILO Declaration on Fundamental Principles and Rights at Work, upholding the legal and customary rights of Indigenous Peoples, and committing to not damaging or threatening High Conservation Value sites. Obtaining timber products with this certification allows us to meet our NDPE commitment. We have established and are validating comprehensive glidepaths to achieve our packaging goals and are enhancing our data collection and reporting capabilities. We are on track with glidepath execution.

Forest risk commodity

Palm oil

Criteria

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

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

No cutoff date

Commitment target date

2020

Please explain

In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. Through the end of calendar year 2019, The Estée Lauder Companies made good progress towards this goal, achieving 57% RSPO certification of its palm-based ingredients from physical supply chains.

F5. Business strategy

F5.1

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

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	5-10	For many consumers, packaging is the first introduction to our products. As with everything we do, we maintain a high aesthetic for the design and usability of our packaging, which must conform to our brand standards and meet the expectations of our consumers. We believe that packaging can meet these needs responsibly. Case Study: Products containing palm oil make up 81-90% of our revenue and we use timber-based rigid boxes for ~50% of our products. In FY19 we set a target for 100% of our forest-based fiber cartons to be FSC-certified and for at least 90% of our palm-based ingredients to be sourced from RSPO physical supply chains by the end of 2025.
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	At ELC, we pride ourselves on providing our consumers with safe, prestige beauty products of the highest quality. We greatly value the trust our consumers place in our products. It is within this framework that in FY19 we developed targets to source 100% of our forest-based fiber cartons from FSC-certified sources and at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025. The strategy used to achieve these objectives includes: - The publication of our NDPE policy in FY20. Following this, we will conduct due diligence of raw material sourcing to ensure compliance with these criteria and ensure they prohibit new clearing or palm development on High Carbon Stock (HCS), High Conservation Value (HCV) forests, beginning this process by conducting key commodity supplier compliance assessments, which will then further inform commodity-specific action plans. - Becoming a founding member of the Action for Sustainable Derivatives (ASD), a collaborative initiative co-managed and co-facilitated by BSR and Transitions, to promote responsible sourcing and collective action to increase sustainable production of palm oil and palm oil derivatives. ASD participants aim to scale up efforts towards compliance with NDPE principles and to positively transform the palm oil industry to address social and environmental issues on the ground. - Supporting The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production to help drive responsible procurement best practice, which we initiated in November 2018. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the Roundtable on Sustainable Palm Oil (RSPO), Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers (i.e. farmers who own or cultivate farms that are less than 2.0 hectares of land) in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods.
Financial planning	Yes, forests-related issues are integrated	5-10	To achieve the targets that we set in FY19 to source 100% of our forest-based fiber cartons from FSC-certified sources and at least 90% of our palm-based ingredients from RSPO physical supply chains by the end of 2025, we have set aside significant resources to make up for the additional costs associated with purchasing sustainably-sourced timber and palm oil.

F6. Implementation

F6.1

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

Yes

F6.1a

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

Target reference number

Target 1

Forest risk commodity

Timber products

Type of target

Third-party certification

Description of target

As part of our NDPE commitment, we have a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025.

Linked commitment

Zero net/gross deforestation

Traceability point

<Not Applicable>

Third-party certification scheme

FSC Chain of Custody

Start year

2019

Target year

2025

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

18

Please explain

In FY19, we announced a target for our forest-based fiber cartons. Our ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. It also has a robust system of safeguards to ensure forest owners/managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. This target along with other sustainable packaging and ESG targets will enable ELC to continue to advance its commitment to responsible corporate citizenship. These enterprise-wide goals will drive value for our brands as they align and innovate to meet these commitments. Consumers and employees are increasingly drawn to purpose-driven brands and companies. We have a long history of giving back and improving the places where we live and work.

Target reference number

Target 2

Forest risk commodity

Palm oil

Type of target

Third-party certification

Description of target

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

Linked commitment

Zero net/gross deforestation

Traceability point

<Not Applicable>

Third-party certification scheme

RSPO Mass Balance

Start year

2019

Target year

2025

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

90

% of target achieved

57

Please explain

We continue to work with Suppliers on sourcing RSPO Mass Balance certified palm-based ingredients (palm oil and its derivatives). In FY19, we set an enterprise-wide goal for palm oil that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. We selected to set our goal of 90% from RSPO certified physical supply chains because of a variety of factors, including, for example, the availability of certified palm-based ingredients from physical supply chains.

F6.2

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

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	In FY20 we worked with NEPCo, an expert non-profit working on sustainable land use and responsible trade of forest commodity. NEPCo provided ELC staff with Timber Legality training and created an action plan to develop a robust Due Diligence System (DDS) for sourcing timber-based products. As a result, ELC is currently implementing a DDS procedure which includes collecting traceability information on the origin of timber-based products, among other information. Furthermore, ELC signed a commercial agreement with a second tier FSC certified manufacturer (Paper Mill). Board coming from this source represents 80% of total supply. Supplier has complete traceability to forests, including GPS location of trees. Other manufacturers in the tertiary packaging commodities are very transparent about their sourcing (vertically integrated and not). In FY19, 18% of folding cartons category are FSC certified in support of our goal to have 100% our forest-based fiber cartons source FSC-certified by the end of 2025. More commercial agreements are under discussion on this topic.	Not applicable	<Not Applicable>
Palm oil	Yes	We have established an approval process for new ingredients. The process requires suppliers to provide country of harvest among other information ensuring that we have traceability to at least country-level. The data is then uploaded into our Research Development System (RDS) which maintains source information from the suppliers via verified source documents. The RDS has enabled ELC to identify palm oil sourced from risk countries such as Indonesia and Malaysia, and build support programmes in these regions to encourage sustainable palm-growing practises. In addition to internal systems, ELC has joined the Action for Sustainable Derivatives a collaborative working group which aims to bring together peers in the cosmetics, personal care, and oleo chemical suppliers to collectively address the issues within the palm oil derivatives supply chain. Through this partnership, ELC engages in an annual traceability exercise with its strategic palm ingredient suppliers, implemented through ASD to gain increased transparency to the plantation.	Not applicable	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.2a

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

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Country	53
Timber products	Forest management unit	4
Timber products	First importer	43
Palm oil	Plantation	10
Palm oil	Mill	61
Palm oil	Country	18
Palm oil	Refinery	3
Palm oil	First importer	8

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.

Forest risk commodity

Timber products

Third-party certification scheme

FSC Chain of Custody

Certification coverage

Consumption volume

% of total production/consumption volume certified

18

Form of commodity

Secondary packaging

Tertiary packaging

Volume of production/ consumption certified

1948

Metric

Metric tons

Please explain

To ensure our FSC commitment remains supported and aligned to the wider business strategy, in FY19, we announced a target for our forest-based fiber cartons. Our

ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. It also has a robust system of safeguards to ensure forest owners/ managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. Furthermore, before establishing our public commitments, some ELC brands such as Aveda and Origins had already been using FSC certified folding cartons, including Aveda's first Forest Stewardship Council (FSC) certified high-end folding carton paperboard made from 100% post-consumer waste (PCW).

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Mass Balance

Certification coverage

Consumption volume

% of total production/consumption volume certified

57.46

Form of commodity

Palm oil derivatives

Volume of production/ consumption certified

2313.25

Metric

Metric tons

Please explain

In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, ELC took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. Through the end of calendar year 2019, The Estée Lauder Companies made good progress towards this goal, achieving 57% RSPO certification of its palm-based ingredients from physical supply chains.

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Identity Preserved

Certification coverage

Consumption volume

% of total production/consumption volume certified

0.04

Form of commodity

Palm oil derivatives

Volume of production/ consumption certified

1.81

Metric

Metric tons

Please explain

Through our membership in the Action for Sustainable Derivatives collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles. In addition, through ASD we are addressing responsible sourcing by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. Through the end of calendar year 2019, The Estée Lauder Companies made good progress towards this goal, achieving 57% RSPO certification of its palm-based ingredients from physical supply chains.

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Book and Claim

Certification coverage

Consumption volume

% of total production/consumption volume certified

42.5

Form of commodity

Palm oil derivatives

Volume of production/ consumption certified

1711

Metric

Metric tons

Please explain

Until we are able to purchase 100% palm-based ingredients from physical supply chains, we will annually purchase RSPO Book & Claim Credits to offset the use of the non-sustainable palm-based ingredients that we procure directly. In CY2019, we purchased a total of 1,711 RSPO Book & Claim Credits, including 1,007 Independent Smallholder (IS) credits (342- ISCSPO, 665-IS CSPKO) equivalent to about 25% of our annual palm volumes. With these IS purchases, ELC has supported 1,145 independent smallholders in Indonesia, Malaysia and Thailand. ELC purchased 342 Crude/ Refined Palm (CSPO) IS credits from Wild Asia's Group Scheme (WAGS), which supported 335 independent oil palm small producers in Perak, Malaysia, who are producing a total of 25,625 metric tonnes of certified Fresh Fruit Bunches (FFB), equivalent to about 5,125 metric tonnes of CPO and 1,281 metric tonnes of PKO (as of May 2020). In addition, ELC purchased 525 CSPKO IS credits through Fortasbi, supporting 468 independent smallholders managing a total of 1,475.83 hectares of RSPO-certified plantations in the Jambi and South Sumatra provinces of Indonesia, and 140 credits purchased from Nueakhleng-Khaophon Community Enterprise Thailand that supports 342 farmers. In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We will begin this process by conducting key commodity supplier compliance assessments, including palm oil, which will then further inform commodity-specific action plans. In 2019, The Estée Lauder Companies took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. Through the end of calendar year 2019, The Estée Lauder Companies made good progress towards this goal, achieving 57% RSPO certification of its palm-based ingredients from physical supply chains.

F6.4

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

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

F6.4a

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

Forest risk commodity

Timber products

Operational coverage

Supply chain

Description of control systems

FSC certification covers legality: Legal right to harvest, taxes and fees, timber harvesting activities/regulations, Third parties' rights and Trade and transportation. The FSC system contains normative requirements to be followed by certification bodies, including the requirement that audits be conducted at least annually, and not later than 15 months after the previous audit, in the case of chain of custody certification.

Monitoring and verification approach

Third-party verification

% of total volume in compliance

10-20%

% of total suppliers in compliance

91-99%

Response to supplier non-compliance

Suspend & engage

Procedures to address and resolve non-compliance with suppliers

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

Please explain

Non-certified suppliers do not get new business until certification is complete. Although 91-99% of our suppliers are able to provide FSC certified materials, currently 10-20% of our forest-based fiber cartons volume is being counted towards our FSC certified FY19 volumes. We anticipate that this percentage will increase as we continue to implement internal controls to ensure compliance with FSC requirements and strive to reach our goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025.

Forest risk commodity

Palm oil

Operational coverage

Supply chain

Description of control systems

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

Monitoring and verification approach

Third-party verification

% of total volume in compliance

51-60%

% of total suppliers in compliance

21-30%

Response to supplier non-compliance

Retain & engage

Procedures to address and resolve non-compliance with suppliers

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

Please explain

Supplier compliance is calculated by suppliers that are supply chain certified or licensed through RSPO. Majority of ELC's palm ingredient supply is consolidated with a small number of suppliers that represents about 94% of our palm volume and have at least one site/material that is RSPO certified. All new materials that are coded must be RSPO MB compliant or greater or they will not be coded.

F6.6

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

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

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

In FY20 ELC developed a No Deforestation, No Peat, No Exploitation (NDPE) policy. One way to support our NDPE policy and our commitment to sustainable sourcing is through the purchasing of RSPO-certified products. We ensure legal compliance through the purchase of these RSPO-certified products. The Roundtable for Sustainable Palm Oil (RSPO) requires that manufacturers and actors across the value chain comply with all applicable local, national and ratified international laws and regulations. This is mandatory a criterion in order to obtain this 3rd party verified certification. For example, the palm oil derivative we source from Brazil is RSPO-Identity preserved certified which guarantees the palm oil is coming from a single identifiable certified source. We collect RSPO certification data with every purchase, such as suppliers' RSPO certification numbers, as requested by the RSPO standard. We understand that by obtaining the RSPO - Identity Preserved certification our suppliers have demonstrated compliance with the Brazilian Forest Code, an applicable local regulation. Also, our established Supplier Code of Conduct (COC), based on internationally recognized standards including the Universal Declaration of Human Rights and the International Labor Organization's Fundamental Conventions, sets clear Corporate Social Responsibility (CSR) expectations for our partners to meet in regard to labor and human rights, lawful environmental management and ethical business practices.

Country/Area of origin

Brazil
Indonesia
Malaysia

Law and/or mandatory standard(s)

Brazilian Forest Code
ISPO
MSPO

Comment

N/A

F6.7

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

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Not applicable	<Not Applicable>	<Not Applicable>	<Not Applicable>	We do not source timber products from high-risk countries. Even though ELC does not have direct influence over the production practices that timber smallholders implement, through our FSC certification commitments, we endorse the work of FSC who engage with smallholders to implement good agricultural practices.
Palm oil	Yes, working with independent smallholders	Capacity building	Offering on-site technical assistance and extension services Prioritizing support for smallholders in high-risk deforestation regions	2145	We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and demonstrate the same commitment to operating responsibly and ethically across all facets of business. In November 2018, we joined and kicked off The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the Roundtable on Sustainable Palm Oil (RSPO), Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers (i.e. farmers who own or cultivate farms that are less than 2.0 hectares of land) in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2021. Key components of the Lampung Project include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers. The Estée Lauder Companies is supporting smallholders by purchasing a total of 1,007 IS credits (342- ISCSPO, 665-IS CSPKO) equivalent to about 25% of our annual palm volumes in 2019. With these purchases, ELC has supported 1,145 independent smallholders in Indonesia, Malaysia and Thailand. ELC purchased 342 Crude/ Refined Palm (CSPO) IS credits from Wild Asia's Group Scheme (WAGS), which supported 335 independent oil palm small producers in Perak, Malaysia, who are producing a total of 25,625 metric tonnes of certified Fresh Fruit Bunches (FFB), equivalent to about 5,125 metric tonnes of CPO and 1,281 metric tonnes of PKO (as of May 2020). In addition, ELC purchased 525 CSPKO IS credits through Fortasbi, supporting 468 independent smallholders managing a total of 1,475.83 hectares of RSPO-certified plantations in the Jambi and South Sumatra provinces of Indonesia, and 140 credits purchased from Nueakhleng-Khaophonon Community Enterprise Thailand that supports 342 farmers.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

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

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping	Supplier questionnaires on environmental and social indicators	51-60%	Our expectations for suppliers of product ingredients and packaging materials, as well as third-party manufacturers, are set forth in the ELC Supplier Code of Conduct (https://www.elcompanies.com/en/our-commitments/working-with-our-suppliers/supplier-code-of-conduct) The Code serves as the basis for evaluation of suppliers with regard to ethical business practices and is the foundation of our Responsible Sourcing program. The Supplier Code addresses a number of areas including: human rights, child labor, forced labor, discrimination, worker health and safety, environment, ethical practices and anticorruption. We engage and monitor existing supplier environmental, social and governance performance via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on environmental impact, labor and human rights, ethics and sustainable procurement practices. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform. Suppliers are provided with a list of strengths and areas for improvements. Suppliers with low performance are requested to be assessed annually. 53% of secondary and tertiary packaging suppliers have been engaged. In 2018 we engaged a key strategic packaging supplier to assess their ESG performance. The results of the assessment showed an unstructured ESG approach and few sustainability actions. The supplier was motivated by the results and with strong top management commitment and support, provided dedicated qualified resources and implemented environmental and labor and Human Rights policies and procedures. Their subsequent assessment in 2019 validated their efforts with a strong improvement in their ESG performance.
Palm oil	Yes, working with direct suppliers	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Offering on-site training and technical assistance	81-90%	Our expectations for suppliers of product ingredients and packaging materials, as well as third-party manufacturers, are set forth in the ELC Supplier Code of Conduct (https://www.elcompanies.com/en/our-commitments/working-with-our-suppliers/supplier-code-of-conduct) The Code serves as the basis for evaluation of suppliers with regard to ethical business practices and is the foundation of our Responsible Sourcing program. The Supplier Code addresses a number of areas including: human rights, child labor, forced labor, discrimination, worker health and safety, environment, ethical practices and anticorruption. While we have direct control over our own purchase of palm, we are also able to influence our larger network of suppliers and partners. In early CY2020, we informed our TPMs third-party manufacturers that they should use palm ingredients that are from an RSPO physically certified sustainable source (Mass Balanced, Segregated or Identity Preserved) to further advance our commitment to ensuring sustainable palm oil supply chains. We will be working with our third-party manufacturers to support the increase of RSPO certified palm ingredients in the products made on our behalf. In terms of on-site training and technical assistance, in November 2018, we joined and kicked off The Lampung Project, a smallholder farmer initiative focused on more sustainable palm oil production. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the Roundtable on Sustainable Palm Oil (RSPO), Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers (i.e. farmers who own or cultivate farms that are less than 2.0 hectares of land) in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2021. Key components of the Lampung Project include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.9

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

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

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

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Engaging with non-governmental organizations

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

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

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

Global Reporting Initiative (GRI) Community Member
Forest Stewardship Council (FSC)

Jurisdictional approaches

<Not Applicable>

Please explain

Global reporting Initiative (GRI) Engaging with peers and stakeholders from different industries and backgrounds, to support the continued development and refinement of the GRI Standards and harmonization of ESG disclosure and reporting. GRI Community members are always up to date with the latest insights and trends in sustainability and reporting, demonstrate leadership, collaborate with peers, and form a global community of practice and knowledge sharing. FSC FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. It also has a robust system of safeguards to ensure forest owners/managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. We have set a goal to purchase to have 100% of our forest-based fiber cartons FSC certified by the end of 2025.

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Other, please specify (Supplier CSR Ratings Platform)

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

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

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in industry platforms

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

Circular Economy 100 (CE100) by Ellen MacArthur Foundation We believe it is important to work towards a more circular economy in which packaging is designed to be disassembled and reused. In fiscal 2019, we joined the Circular Economy 100 (CE100) program, run by the Ellen MacArthur Foundation. This platform brings together

leaders and innovators in business, governments and academia to contribute to society's transition to a circular economy. CE100 membership offers The Estée Lauder Companies' employees access to the CE100 Learning Portfolio, an array of professional learning resources and tools. Employees can also refer to a portfolio of recommended online and residential courses delivered by universities and external learning providers. For example, this includes resources in areas like the use of Renewable Materials such as timber based products, to achieve a low carbon, circular economy. Sustainable Packaging Initiative for Cosmetics (SPICE) We have also joined the Sustainable Packaging Initiative for Cosmetics (SPICE), aligning with organizations in the cosmetics industry to collectively shape the future of sustainable packaging. Our membership allows us to maintain voting rights, ensuring we have a voice in important discussions. Sustainable Packaging Coalition (SPC) We are proud to be a founding member of the Sustainable Packaging Coalition (SPC), which brings together businesses, educational institutions and government agencies to collectively strengthen and advance the business case for more sustainable packaging. In fiscal 2019, the SPC facilitated a full-day on-site training for more than 100 of our employees involved in the packaging process. Topics included integrating sustainability into a brand, optimizing design, designing for recovery, sourcing sustainably and understanding how packaging fits into a larger sustainability context.

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Funding research organizations

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

Yale University's School of Forestry The next generation of young leaders often brings the most forward-thinking ideas to the table. In the spirit of such collaboration, we teamed up with Yale University's School of Forestry in fiscal 2019 to conduct two studies to determine how we can further improve our packaging footprint. One study looked at how to increase the recycling rate at our Melville, New York, factory by reducing the amount of non-recyclable tertiary packaging coming in from suppliers. The second examined ways to improve the environmental footprint of our sampling activities.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with communities

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

We aim to develop long-lasting, trusting and mutually beneficial relationships with suppliers who share our strong values and demonstrate the same commitment to operating responsibly and ethically across all facets of business. In November 2018, we joined and kicked off The Lampung Project (<https://www.elcompanies.com/en/news-and-media/newsroom/company-features/2019/project-lampung-enhancing-the-sustainable-production-of-palm-oil>), a smallholder farmer initiative focused on more sustainable palm oil production. Led by global NGO Solidaridad, this collaboration also includes BASF, one of our long-term ingredient suppliers, the Roundtable on Sustainable Palm Oil (RSPO), Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (KTNA), a local farmers' association. The Lampung Project's goal is to strengthen the ability of 1,000 smallholder farmers (i.e. farmers who own or cultivate farms that are less than 2.0 hectares of land) in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved incomes and livelihoods by the end of 2021. Key components of the Lampung Project include the development and training of farmers in good agricultural and best management practices that protect the environment and the health of workers. The Project also seeks to improve communication and support the development of market linkages between farms and mills, as well as provide long-term technical support for these new tools after the formal training has ended. Solidaridad projects that with more sustainable practices in place, harvest yields will improve and the local farmers will have greater ability to sell collectively. It is expected that farmer organizations that support compliance with the Smallholder Standard of the Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO) will further strengthen the practices and economies of local farms, and will ensure the region's supply is responsibly sourced, helping to ensure that sustainable practices are the industry standard. The collective approach reinforces our core values of ensuring quality, innovation and sustainability and demonstrates our commitment to ethical practices through the power of personal engagement -- in communities that we touch.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

Roundtable on Sustainable Palm Oil (RSPO)

Jurisdictional approaches

<Not Applicable>

Please explain

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

seek to purchase our palm ingredients from certified sustainable sources and from suppliers that can demonstrate their compliance with the RSPO Principles & Criteria, including responsible consideration of affected employees, individuals and communities, encompassing social impact assessments, contributing to local sustainable development where appropriate and respecting human rights. Until we are able to purchase 100% palm-based ingredients from physical supply chains, we will annually purchase RSPO Book & Claim Credits to offset the use of non-sustainable palm-based ingredients that we procure directly, including Independent Smallholder Credits from RSPO. We are making progress against our targets. We increased our procurement of PKO derivative ingredients through RSPO-certified physical supply chains (using the Mass Balance method) with 57.5% of our CY2019 purchases RSPO MB certified. RSPO NASPON The Estée Lauder Companies joined the RSPO's North American Sustainable Palm Oil Network (NASPON) whose aim is to educate, build momentum, and accelerate collaboration within the North American market for the uptake of Certified Sustainable Palm Oil. ELC has been an active member of the derivatives working group to collaboratively address common challenges in the palm derivatives supply chain.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with non-governmental organizations

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

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

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in industry platforms

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

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

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

No, but we plan to implement a project(s) in two years

F7. Verification

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

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

F8. Barriers and challenges

F8.1

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

Forest risk commodity

Palm oil

Coverage

Supply chain

Primary barrier/challenge type

Supply chain complexity

Comment

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

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

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

Forest risk commodity

Palm oil

Coverage

Supply chain

Primary barrier/challenge type

Limited availability of certified materials

Comment

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

Forest risk commodity

Timber products

Coverage

Supply chain

Primary barrier/challenge type

Limited supply chain engagement

Comment

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

F8.2

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

Forest risk commodity

Timber products

Coverage

Supply chain

Main measure

Improved data collection and quality

Comment

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

Forest risk commodity

Timber products

Coverage

Supply chain

Main measure

Greater supplier awareness/engagement

Comment

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

Forest risk commodity

Palm oil

Coverage

Supply chain

Main measure

Greater supplier awareness/engagement

Comment

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

Forest risk commodity

Palm oil

Coverage

Supply chain

Main measure

Investment in monitoring tools and traceability systems

Comment

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

F17 Signoff

F-FI

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

N/A

F17.1

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

	Job Title	Corresponding job category
Row 1	Executive Chairman	Board Chair

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

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