

F0. Introduction

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F0.1

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

The Estée Lauder Companies Inc. (ELC) is one of the world’s leading manufacturers, marketers, and sellers of quality skin care, makeup, fragrance and hair care products. The company’s products are sold in approximately 150 countries and territories under brand names including: Estée Lauder, Aramis, Clinique, Lab Series, Origins, M·A·C, La Mer, Bobbi Brown, Aveda, Jo Malone London, Bumble and bumble, Darphin Paris, TOM FORD BEAUTY, Smashbox, AERIN Beauty, Le Labo, Editions de Parfums Frédéric Malle, GLAMGLOW, KILIAN PARIS, Too Faced, Dr. Jart+, and the DECIEM family of brands, including The Ordinary and NIOD.

The responses to this questionnaire contain information about our social impact and sustainability goals, targets, initiatives, commitments, and activities. These efforts involve certain risks and uncertainties, such as changes in our business (e.g., acquisitions, divestitures, or new manufacturing or distribution locations), the standards by which achievement is measured, the assumptions underlying a particular goal, and our ability to accurately report particular information. Actual results could differ materially from our stated goals or the results we expect.

This disclosure covers ELC’s Fiscal Year 2022 (FY22) – July 1, 2021, through June 30, 2022. Palm oil data is for calendar year 2022 (CY22) – January 1, 2022, through December 31, 2022.

F0.2

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**(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 2021	June 30 2022

F0.3

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

USD

F0.4

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

**Timber products**

**Commodity disclosure**

Disclosing

**Stage of the value chain**

Manufacturing

**Are you disclosing information on embedded commodities?**

No, because we have no embedded commodities

**Explanation if not disclosing**

<Not Applicable>

**Palm oil**

**Commodity disclosure**

Disclosing

**Stage of the value chain**

Manufacturing

**Are you disclosing information on embedded commodities?**

No, because we have no embedded commodities

**Explanation if not disclosing**

<Not Applicable>

## Cattle products

### Commodity disclosure

Not disclosing

### Stage of the value chain

Manufacturing

### Are you disclosing information on embedded commodities?

<Not Applicable>

### Explanation if not disclosing

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 FY22.

## Soy

### Commodity disclosure

Not disclosing

### Stage of the value chain

Manufacturing

### Are you disclosing information on embedded commodities?

<Not Applicable>

### Explanation if not disclosing

We use some ingredients containing soy products.

## Other - Rubber

### Commodity disclosure

Not disclosing

### Stage of the value chain

Manufacturing

### Are you disclosing information on embedded commodities?

<Not Applicable>

### Explanation if not disclosing

We use rubber in a very small proportion of our packaging.

## Other - Cocoa

### Commodity disclosure

Not disclosing

### Stage of the value chain

Manufacturing

### Are you disclosing information on embedded commodities?

<Not Applicable>

### Explanation if not disclosing

We use some ingredients containing cocoa products.

## Other - Coffee

### Commodity disclosure

Not disclosing

### Stage of the value chain

Manufacturing

### Are you disclosing information on embedded commodities?

<Not Applicable>

### Explanation if not disclosing

We use some ingredients containing coffee products.

## F0.5

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### (F0.5) Select the option that describes the reporting boundary for which forests-related impacts on your business are being reported

Operational control

## F0.6

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**(F0.6) Select the countries/areas in which you operate.**

Argentina  
Australia  
Austria  
Belgium  
Brazil  
Bulgaria  
Canada  
Chile  
China  
Colombia  
Costa Rica  
Cyprus  
Czechia  
Denmark  
Finland  
France  
Germany  
Greece  
Hong Kong SAR, China  
Hungary  
India  
Indonesia  
Israel  
Italy  
Japan  
Kazakhstan  
Luxembourg  
Malaysia  
Mexico  
Netherlands  
New Zealand  
Norway  
Panama  
Peru  
Philippines  
Poland  
Portugal  
Republic of Korea  
Romania  
Russian Federation  
Saudi Arabia  
Singapore  
Slovakia  
South Africa  
Spain  
Sweden  
Switzerland  
Taiwan, China  
Thailand  
Turkey  
Ukraine  
United Arab Emirates  
United Kingdom of Great Britain and Northern Ireland  
United States of America  
Viet Nam

**F0.7**

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**(F0.7) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

Yes

**F0.7a**

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**(F0.7a) Identify the parts of your direct operations or supply chain that are not included in your disclosure.**

**Forest risk commodity**

Palm oil

**Value chain stage**

Supply chain

**Exclusion**

Recent merger, acquisition or divestiture

**Description of exclusion**

Certain acquired brands not yet fully integrated into the relevant ELC systems.

**% of volume excluded**

Don't know

**Potential for forests-related risk**

Potential for forests-related risk, evaluated, but not disclosing to CDP

**Please explain**

Our disclosure excludes palm-based ingredients from certain acquired brands. Recently acquired brands are excluded currently as we have not fully integrated them into the relevant ELC systems and therefore do not yet have available data.

Products manufactured by certain acquired brands not yet fully integrated into the relevant ELC systems make up a small portion of our overall palm volumes.

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**Forest risk commodity**

Palm oil

**Value chain stage**

Supply chain

**Exclusion**

Other, please specify (Products manufactured by Third-Party Manufacturers that contain palm-based ingredients not directly procured by ELC. )

**Description of exclusion**

Products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies.

**% of volume excluded**

Don't know

**Potential for forests-related risk**

Potential for forests-related risk, evaluated, but not disclosing to CDP

**Please explain**

Our disclosure excludes palm-based ingredients not directly procured by The Estée Lauder Companies, such as those procured by Third-Party Manufacturers (TPMs). The industry standard and Roundtable on Sustainable Palm Oil (RSPO) guidance is for companies to focus on directly purchased materials, which represents the majority of our palm volumes.

While we have direct control over our own purchase of palm, we are also able to influence our larger network of suppliers and partners. Since CY20, we regularly inform our TPMs that they should use palm ingredients from RSPO physically certified sustainable sources (Mass Balanced, Segregated or Identity Preserved) to further advance our commitment to ensuring sustainable palm oil supply chains. We will maintain technical standards calling for the use of RSPO physically certified palm oil and continue to work with our third-party manufacturers to support the increase of RSPO certified palm ingredients in the products made on our behalf.

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**Forest risk commodity**

Timber products

**Value chain stage**

Supply chain

**Exclusion**

Recent merger, acquisition or divestiture

**Description of exclusion**

Timber-based packaging materials used by certain acquired brands not yet fully integrated into the relevant ELC systems.

**% of volume excluded**

Don't know

**Potential for forests-related risk**

Potential for forests-related risk, evaluated, but not disclosing to CDP

**Please explain**

Our disclosure excludes some Timber-based packaging materials used by certain acquired brands not yet fully integrated into the relevant Estee Lauder Companies' systems. Timber-based packaging materials used by acquired brands not yet integrated into the relevant ELC systems make up a small portion of our overall timber-based packaging materials volumes.

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**Forest risk commodity**

Timber products

**Value chain stage**

Supply chain

**Exclusion**

Other, please specify (Timber-based packaging materials used by Third-Party Manufacturers (TPMs))

**Description of exclusion**

Timber-based packaging materials used by Third-Party Manufacturers (TPMs) not yet fully integrated into the relevant ELC systems.

**% of volume excluded**

Don't know

**Potential for forests-related risk**

Potential for forests-related risk, evaluated, but not disclosing to CDP

**Please explain**

Our disclosure excludes some Timber-based packaging materials used by Third-Party Manufacturers (TPMs) not fully integrated into the relevant Estee Lauder Companies' systems. Timber-based packaging materials used by Third-Party Manufacturers (TPMs) not integrated into the relevant ELC systems make up a small portion of our overall timber-based packaging materials volumes.

While we have direct control over our own purchase of timber-based packaging materials, we are also able to influence our larger network of suppliers and partners. In FY22, we informed our TPMs that they should move directed-buy of timber-based materials to FSC certified materials to further advance our ambition to use responsibly

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sourced paper products. We will continue to work with our third-party manufacturers in this effort.

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## F0.8

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**(F0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.?)**

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, a Ticker Symbol	NYSE: EL

## F1. Current state

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### F1.1

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**(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**

Argentina  
Australia  
Austria  
Belarus  
Belgium  
Bosnia & Herzegovina  
Brazil  
Canada  
Chile  
China  
Croatia  
Czechia  
Denmark  
Estonia  
Eswatini  
Finland  
France  
Germany  
Hungary  
Indonesia  
Ireland  
Italy  
Japan  
Latvia  
Lithuania  
Luxembourg  
Mozambique  
Netherlands  
New Zealand  
Norway  
Paraguay  
Poland  
Portugal  
Republic of Korea  
Russian Federation  
Slovakia  
Slovenia  
South Africa  
Spain  
Sweden  
Switzerland  
Thailand  
Ukraine  
United Kingdom of Great Britain and Northern Ireland  
United States of America  
Uruguay  
Viet Nam

**% of procurement spend**

6-10%

**Comment**

Timber purchased for secondary and tertiary packaging makes up 6-10% of ELC's direct procurement spend.

**Palm oil****Activity**

Using as input into product manufacturing

**Form of commodity**

Palm oil derivatives  
Palm kernel oil derivatives

**Source**

Contracted suppliers (manufacturers)

**Country/Area of origin**

Brazil  
Cambodia  
Cameroon  
Colombia  
Costa Rica  
Côte d'Ivoire  
Ecuador  
Gabon  
Ghana  
Guatemala  
Honduras  
India  
Indonesia  
Liberia  
Malaysia  
Mexico  
Nicaragua  
Nigeria  
Panama  
Papua New Guinea  
Peru  
Philippines  
Sierra Leone  
Solomon Islands  
Thailand  
Venezuela (Bolivarian Republic of)

**% of procurement spend**

1-5%

**Comment**

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

**F1.2**

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

	% of revenue dependent on commodity	Comment
Timber products	100%	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. This does not take into account our ability to substitute for other non-timber based materials.
Palm oil	71-80%	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

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**(F1.5a) Disclose your production and/or consumption figure, and the percentage of commodity volumes verified as deforestation- and/or conversion-free.**

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Commodity production/ consumption volume**

25242

**Metric for commodity production/ consumption volume**

Metric tons

**Data coverage**

Full commodity production/consumption

**Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?**

Yes

**% of reported volume verified as deforestation- and/or conversion-free**

64

**Please explain**

ELC endeavors to source our timber products responsibly with respect for local communities and the environment by procuring ingredients from suppliers that demonstrate adherence to the principles outlined in our Supplier Code of Conduct, NDPE policy and Timber Action Plan. Our NDPE policy recognizes the importance of forests and commits to no deforestation or conversion of natural forests. We assess compliance with these responsible sourcing policies through supplier performance, increased traceability, and third-party certification to the Forest Stewardship Council (FSC). We have an ambition to use responsibly sourced paper products where possible with a goal to have 100% of our forest-based fiber cartons FSC certified by 2025. The Forest Stewardship Council (FSC) Principles and Criteria sets out 10 principles and 70 criteria to ensure that forest management is environmentally appropriate, socially beneficial and economically viable, including ensuring deforestation does not take place in its certified concessions. In FY2022, 95% of our forest-based fiber cartons were FSC certified, increasing from 89% in FY2021. Overall, the percentage of FSC certified forest-based fiber materials which includes folding cartons, corrugate, leaflets, liners and others has increased from 58 in FY21 to 64% in FY22, therefore verifying these volumes as deforestation and conversion free. We ensure that we are improving our percentage of FSC certified materials by monitoring consumption of certified products and shifting sourcing of paper products to suppliers with FSC certified products or engaging with suppliers to encourage them to obtain FSC certification. Percentage excludes timber-based materials not directly procured by ELC, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.

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**Forest risk commodity**

Palm oil

**Data type**

Consumption data

**Commodity production/ consumption volume**

5067.5

**Metric for commodity production/ consumption volume**

Metric tons

**Data coverage**

Full commodity production/consumption

**Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?**

Yes

**% of reported volume verified as deforestation- and/or conversion-free**

91

**Please explain**

ELC endeavors to source our palm-based ingredients responsibly with respect for local communities and the environment by procuring ingredients from suppliers that demonstrate adherence to the principles outlined in our Supplier Code of Conduct, NDPE policy and Palm Action Plan. Our NDPE policy recognizes the importance of forests and commits to no deforestation or conversion of natural forests. To verify volumes of Palm as deforestation and conversion free, we conduct due diligence of raw material sourcing. We begin this process by conducting key commodity supplier compliance assessments, including palm oil. In 2019, The Estée Lauder Companies committed 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 to be covered through RSPO credits. In FY2022, this target was raised to 95% after achieving our original goal three years early. RSPO's Principles and Criteria requires that suppliers are aligned to sustainable palm sourcing principles, including but not limited to No deforestation and No conversion. In Calendar year 2022, The Estée Lauder Companies achieved 91% of palm-based ingredients certified sustainable from RSPO physical supply chains (through Mass Balance, Identity Preserved and Segregated models), therefore verifying these volumes as deforestation and conversion free. Percentage excludes palm-based ingredients not directly procured by ELC, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.

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**F1.5b**

**(F1.5b) Provide a breakdown of your DCF and non-DCF volumes relevant to your stage in the supply chain according to how verification is achieved and the highest level of traceability, respectively.**

**Timber products – DCF**

**% of DCF production/consumption volume from areas with no or negligible risk of deforestation/conversion**

0

**% of DCF production/consumption volume verified through monitoring systems**

0

**% of DCF production/consumption volume physically certified**

100

**% of non-DCF production/consumption volume from unknown origin**

<Not Applicable>

**% of non-DCF production/consumption volume traceable only as far as country level**

<Not Applicable>

**% of non-DCF production/consumption volume traceable only as far as sub-national area**

<Not Applicable>

**% of non-DCF production/consumption volume traceable only as far as processing facility level**

<Not Applicable>

**% of non-DCF production/consumption volume traceable to production unit level**

<Not Applicable>

**Total percentage of production/consumption volume reported (DCF) [auto-calculated]**

100

**Total percentage of production/consumption volume reported (non-DCF) [(auto-calculated)]**

<Not Applicable>

**Timber products – Non DCF**

**% of DCF production/consumption volume from areas with no or negligible risk of deforestation/conversion**

<Not Applicable>

**% of DCF production/consumption volume verified through monitoring systems**

<Not Applicable>

**% of DCF production/consumption volume physically certified**

<Not Applicable>

**% of non-DCF production/consumption volume from unknown origin**

11

**% of non-DCF production/consumption volume traceable only as far as country level**

4

**% of non-DCF production/consumption volume traceable only as far as sub-national area**

28

**% of non-DCF production/consumption volume traceable only as far as processing facility level**

57

**% of non-DCF production/consumption volume traceable to production unit level**

0

**Total percentage of production/consumption volume reported (DCF) [auto-calculated]**

<Not Applicable>

**Total percentage of production/consumption volume reported (non-DCF) [(auto-calculated)]**

100

**Palm oil – DCF**

**% of DCF production/consumption volume from areas with no or negligible risk of deforestation/conversion**

0

**% of DCF production/consumption volume verified through monitoring systems**

0

**% of DCF production/consumption volume physically certified**

100

**% of non-DCF production/consumption volume from unknown origin**

<Not Applicable>

**% of non-DCF production/consumption volume traceable only as far as country level**

<Not Applicable>

**% of non-DCF production/consumption volume traceable only as far as sub-national area**

<Not Applicable>

**% of non-DCF production/consumption volume traceable only as far as processing facility level**

<Not Applicable>

**% of non-DCF production/consumption volume traceable to production unit level**

<Not Applicable>

**Total percentage of production/consumption volume reported (DCF) [auto-calculated]**

100

**Total percentage of production/consumption volume reported (non-DCF) [(auto-calculated)]**

<Not Applicable>

**Palm oil – Non DCF**

**% of DCF production/consumption volume from areas with no or negligible risk of deforestation/conversion**

<Not Applicable>

**% of DCF production/consumption volume verified through monitoring systems**

<Not Applicable>

**% of DCF production/consumption volume physically certified**

<Not Applicable>

**% of non-DCF production/consumption volume from unknown origin**

11

**% of non-DCF production/consumption volume traceable only as far as country level**

0

**% of non-DCF production/consumption volume traceable only as far as sub-national area**

0

**% of non-DCF production/consumption volume traceable only as far as processing facility level**

42

**% of non-DCF production/consumption volume traceable to production unit level**

47

**Total percentage of production/consumption volume reported (DCF) [auto-calculated]**

<Not Applicable>

**Total percentage of production/consumption volume reported (non-DCF) [(auto-calculated)]**

100

**F1.5c**

**(F1.5c) 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**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Pará)

**% of total production/consumption volume**

0.04

**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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes.

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Cambodia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Koh Kong, Preah Sihanouk)

**% of total production/consumption volume**

0.04

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Cameroon

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Littoral, Sanaga-Maritime )

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Colombia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Antioquia, Bolívar, Casanare, Cesar, Cundinamarca, Magdalena, Meta, Nariño, Norte de Santander, Santander, Valle del Cauca, Vichada.)

**% of total production/consumption volume**

0.58

**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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

0.05

**Please explain**

Costa Rica (Alajuela, Puntarenas)

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Ecuador

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Esmeraldas, Los Rios, Manabi, Orellana, Santo Domingo de los Tsachilas)

**% 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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Gabon

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Estuaire, Ngounié)

**% of total production/consumption volume**

0.02

**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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes. The percentage for Gabon has been rounded up to 0.02% for disclosure.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Ghana

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Central, Eastern, Western)

**% of total production/consumption volume**

0.01

**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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Guatemala

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Alta Verapaz, Escuintla, Guatemala, Izabal, Petén, Quezaltenango, San Marcos )

**% of total production/consumption volume**

0.19

**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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Honduras

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Atlántida, Colón, Cortés, Yoro )

**% of total production/consumption volume**

0.1

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

India

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Andhra Pradesh, Kerala, Tamil Nadu, Telangana )

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**% of total production/consumption volume**

0.03

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Indonesia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Aceh, Banten, Bengkulu, Gorontalo, Jakarta, Jambi, Jawa Barat, Kalimantan Barat, Kalimantan Selatan, Kalimantan Tengah, Kalimantan Timur, Kalimantan Utara, Kepulauan Bangka Belitung, Kepulauan Riau, Konawe Selatan, Lampung, Papua, Papua Barat, Riau.)

**% of total production/consumption volume**

60.03

**Please explain**

Other jurisdictions: Sulawesi Barat, Sulawesi Selatan, Sulawesi Tengah, Sulawesi Tenggara, Sumatera Selatan, Sumatera Utara, Sumatra Selatan.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Côte d'Ivoire

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Abidjan, Bas-Sassandra, Bonoua, Comoé, Gôh-Djiboua, Lagunes)

**% of total production/consumption volume**

0.1

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Liberia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Bosma Town, Grand Bassa)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Malaysia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction ( Johor, Kedah, Kelantan, Lahad Datu, Melaka, Negeri Sembilan, Pahang, Perak, Pulau Pinang, Sabah, Sarawak, Selangor, Trengganu)

**% of total production/consumption volume**

21.86

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Mexico

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Chiapas, Tabasco, Campeche)

**% of total production/consumption volume**

0.04

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Nicaragua

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Atlántico Sur)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Nigeria

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Edo, Rivers)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Panama

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Chiriquí)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Papua New Guinea

**State or equivalent jurisdiction**

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

**% of total production/consumption volume**

0.25

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Peru

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Ucayali, Loreto, San Martin)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Philippines

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (South Agusan)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Sierra Leone

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Kailahun)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

0.01

**Please explain**

Solomon Islands (Guadalcanal)

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Thailand

**State or equivalent jurisdiction**



Specify state/equivalent jurisdiction (Chon Buri, Chumphon, Kanchanaburi, Krabi, Nakhon Si Thammarat, Pattani, Phangnga, Phattalung, Prachuap Khiri Khan, Ranong, Samut Sakhon, Samut Songkhram, Satun, Surat Thani, Trang)

**% of total production/consumption volume**

0.7

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Venezuela (Bolivarian Republic of)

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Zulia)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Unknown origin

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

15.85

**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 plantation level and map risks at a province and mill level for NDPE compliance. For CY22 we achieved traceability to the mill for 84.2% of our total palm volumes. For the remaining 15.85% which is traceable to refinery or first importer, we assure volumes are not associated with deforestation by obtaining RSPO certification. In CY22, 100% of our palm-based derivatives were RSPO certified. RSPO's Principles and Criteria requires that suppliers are aligned to sustainable palm sourcing principles, including but not limited to: no deforestation, no conversion, land clearing does not cause deforestation or damage any area required to protect or enhance High Conservation Values (HCVs) or High Carbon Stock (HCS) forest.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

78

**Please explain**

78% of timber consumption volumes (sum of total secondary and tertiary volumes traceable /Sum of total Secondary & Tertiary volumes) are from the following countries: Austria, Belarus, Belgium, Bosnia and Herzegovina, Canada, Chile, China, Croatia, Czechia, Denmark, Estonia, Eswatini, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Korea (Republic of Korea), Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, Ukraine, United States of America, Uruguay. 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 and external systems to house this data. 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. In FY2022, 95% of our forest-based fiber cartons were FSC certified, increasing from 28% in FY2019. Overall, the percentage of FSC certified forest-based fiber materials which includes folding cartons, corrugate, leaflets, liners and others has increased from 29% in FY20 to 64% in FY22

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Unknown origin

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

20

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Argentina

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Australia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Western Australia)

**% of total production/consumption volume**

0.02

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Australia

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.37

**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 and external systems to house this data. In addition to traceability data, we are collecting recyclability data. We've determined 8% of unknown origin comes from recycled timber-based materials.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.24

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Bahia, Espirito Santo, Minas Gerais, Rio Grande do Sul, Rio de Janeiro, Para, Maranhao, Tocantins, Mato Grosso do Sul)

**% of total production/consumption volume**

1.02

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Indonesia

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Mozambique

**State or equivalent jurisdiction**

Please select

**% of total production/consumption volume**

0

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Paraguay

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Thailand

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.37

**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 and external systems to house this data. In addition to traceability data, we are collecting recyclability data. We've determined 8% of unknown origin comes from recycled timber-based materials.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Viet Nam

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Kon Tum)

**% of total production/consumption volume**

0.01

**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 and external systems to house this data. In addition to traceability data, we are collecting recyclability data. We've determined 8% of unknown origin comes from recycled timber-based materials.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Viet Nam

**State or equivalent jurisdiction**

Don't know

**% of total production/consumption volume**

0.37

**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 and external systems to house this data. In addition to traceability data, we are collecting recyclability data. We've determined 8% of unknown origin comes from recycled timber-based

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## F1.5f

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

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

No

**Data type**

<Not Applicable>

**Volume produced/consumed**

<Not Applicable>

**Metric**

<Not Applicable>

**Country/Area of origin**

<Not Applicable>

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

<Not Applicable>

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

<Not Applicable>

**Comment**

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## F1.6

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

No

## F1.7

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**(F1.7) Indicate whether you have assessed the deforestation or conversion footprint for your disclosed commodities over the past 5 years, or since a specified cutoff date, and provide details.**

**Forest risk commodity**

Timber products

**Have you monitored or estimated your deforestation/conversion footprint?**

No, but we plan to monitor or estimate our deforestation/conversion footprint in the next two years

**Coverage**

<Not Applicable>

**Reporting deforestation/conversion since a specified cutoff date or during the last five years?**

<Not Applicable>

**Known or estimated deforestation/ conversion footprint (hectares)**

<Not Applicable>

**Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint**

<Not Applicable>

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**Forest risk commodity**

Palm oil

**Have you monitored or estimated your deforestation/conversion footprint?**

No, but we plan to monitor or estimate our deforestation/conversion footprint in the next two years

**Coverage**

<Not Applicable>

**Reporting deforestation/conversion since a specified cutoff date or during the last five years?**

<Not Applicable>

**Known or estimated deforestation/ conversion footprint (hectares)**

<Not Applicable>

**Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint**

<Not Applicable>

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## F2. Procedures

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### F2.1

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

Yes, forests-related risks are assessed

### F2.1a

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

## Timber products

### Value chain stage

Supply chain

### Coverage

Full

### Risk assessment procedure

Assessed in an environmental risk assessment

### Frequency of assessment

Annually

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

> 6 years

### Tools and methods used

Internal company methods  
Preferred by Nature Sourcing Hub  
Other, please specify (EcoVadis)

### Issues considered

Availability of forest risk commodities  
Quality of forests risk commodities  
Impact of activity on the status of ecosystems and habitats  
Regulation  
Climate change  
Impact on water security  
Tariffs or price increases  
Loss of markets  
Leakage markets  
Brand damage related to forests risk commodities  
Corruption  
Social impacts

### Stakeholders considered

Customers  
Employees  
Investors  
Local communities  
NGOs  
Other forest risk commodity users/producers at a local level  
Regulators  
Suppliers

### Please explain

ELC endeavors to source our timber-based materials responsibly with respect for local communities and the environment. We identify and assess forest related issues using internal company methods, EcoVadis and the Preferred by Nature Sourcing Hub.

Internal company methods - At a company level, forest-related issues are assessed on an ongoing basis whereby the individual departments across ELC including Procurement, Packaging and Global Corporate Citizenship and Sustainability regularly assess potential forest related issues to identify if a particular issue may have a significant impact on ELC's operations. If a significant risk to the business is identified, the GCCS team, may elevate it to the ERM team as part of their quarterly review of the Social Impact & Sustainability risk. This is an integrated process which helps to ensure that risks are reviewed and addressed appropriately.

EcoVadis - ELC assesses supplier sustainability risks through EcoVadis ratings. We focus our risk assessment on Strategic and Joint Value Creation (JVC) suppliers. EcoVadis facilitates an evidence-based understanding of CSR performance and risk. We believe this to be effective in assessing forest risks because the assessment considers some forest-related issues, giving us a holistic understanding of a supplier performance.

Preferred by Nature Sourcing Hub - In addition, we worked with Preferred by Nature (previously NEPCon), a non-profit external consultant working on sustainable land use and trade of forest commodities. Preferred by Nature supported ELC in the creation of a Due Diligence System (DDS) for sourcing timber-based products. This system includes a risk assessment based on the country of origin and other factors of timber-based products. By using Preferred by Nature Sourcing hub, we can access countries' timber risk assessments and effectively understand forest-risks by country of origin.

## **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

Global Forest Watch Pro

Sustainability Policy Transparency Toolkit (SPOTT)

National specific tools and databases

Other, please specify (EcoVadis)

### **Issues considered**

Availability of forest risk commodities

Quality of forests risk commodities

Impact of activity on the status of ecosystems and habitats

Regulation

Climate change

Impact on water security

Tariffs or price increases

Loss of markets

Leakage markets

Brand damage related to forests risk commodities

Corruption

Social impacts

### **Stakeholders considered**

Customers

Employees

Investors

Local communities

NGOs

Other forest risk commodity users/producers at a local level

Regulators

Suppliers

### **Please explain**

ELC endeavors to source our palm-based ingredients responsibly with respect for local communities and the environment.

Internal company methods - At a company level, forest-related issues are assessed on an ongoing basis whereby the individual departments across ELC including Procurement, Packaging and Global Corporate Citizenship and Sustainability regularly assess potential forest related issues to identify if a particular issue may have a significant impact on ELC's operations. If a significant risk to the business is identified, the GCCS team may elevate it to the ERM team as part of their quarterly review of the Social Impact & Sustainability risk. This is an integrated process which helps to ensure that risks are reviewed and addressed appropriately.

Global Forest Watch Pro/Sustainability Policy Transparency Toolkit (SPOTT) - We assess Palm risk by undertaking an annual traceability exercise through ASD to map our supply chain and monitor risk at the province and mill level using GFW Pro and SPOTT. This partnership allows us to assess deforestation risk based on geographical and supply chain player levels and allows us to identify priority players and landscapes to focus management efforts.

EcoVadis - We investigate supplier sustainability risks through EcoVadis and in 2022, ELC also worked with ASD on the Sustainable Palm Index (SPI), an annual evaluation scorecard for key suppliers of palm oil/ palm kernel oil derivatives. Through the SPI, ELC palm suppliers were evaluated on commitments, processes, and achievements.

External consultants/National specific tools and databases - ELC has also engaged with external consultants to complete a risk assessment for palm oil to understand future climate risks. The assessment has been effective at identifying key risks as it covers the key aspects of the value chain. National databases (eg. FAOSTAT, GFW) were used to assess palm oil locations and identify physical risks that could impact supply of palm-based derivatives in Indonesia. ELC is using the outputs of this study to inform its strategy.

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## **F2.2**



**(F2.2) For each of your disclosed commodity(ies), has your organization mapped its value chains?**

	Value chain mapping	Primary reason for not mapping your value chain	Explain why your organization does not map its value chain and outline any plans to introduce it
Timber products	Yes, we have partially mapped the value chain	<Not Applicable>	<Not Applicable>
Palm oil	Yes, we have partially mapped the value chain	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F2.2a**

**(F2.2a) Provide details of your organization’s value chain mapping for its disclosed commodity(ies).**

**Forest risk commodity**

Timber products

**Scope of value chain mapping**

Tier 1 suppliers

**% of total suppliers covered within selected tier(s)**

100

**Description of mapping process and coverage**

Tier 1 suppliers provide finished timber-based materials directly to ELC. These suppliers are converters, printers or manufacturers. 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 procurement process is guided by quality, innovation, sustainability, agility and best total cost. Beyond the standard supplier information such as location, we collect Sustainability information such as supplier’s FSC certification status, environmental impact, labor and human rights, ethics, and sustainable procurement practices. Furthermore, we also collect our supplier’s type (secondary manufacturer, trader, etc.), name and location.

**Your own production and primary processing sites: attach a list of facility names and locations (optional)**

**Your suppliers’ production and primary processing sites: attach a list of names and locations (optional)**

**Forest risk commodity**

Palm oil

**Scope of value chain mapping**

Tier 1 suppliers

**% of total suppliers covered within selected tier(s)**

100

**Description of mapping process and coverage**

Tier 1 suppliers provide palm derivative volumes directly to ELC. ELC’s data systems track these suppliers and their volumes. In addition, through our membership in Action for Sustainable Derivatives (ASD), we are committed to establishing traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles and collectively monitor and address grievances. Working through our tier 1 suppliers, we have traced 84.2% of our palm derivative volumes to mill, and 46.9% of volumes to plantation.

**Your own production and primary processing sites: attach a list of facility names and locations (optional)**

**Your suppliers’ production and primary processing sites: attach a list of names and locations (optional)**

**F2.3**

**(F2.3) Do you use a classification system to determine risk of deforestation and/or conversion of other ecosystems for your sourcing areas, and if yes, what methodology is used, and what is the classification used for?**

	Use of a classification system to determine deforestation and/or conversion risk of sourcing areas	Methodology used for classifying levels of risk	Use of risk classification	Attachment indicating risk classification for each sourcing area (optional)
1	No, but we plan to in the next two years	<Not Applicable>	<Not Applicable>	<Not Applicable>

**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?**

The Enterprise Risk Management framework is a structured risk-based approach to prioritize, review and measure risks. ELC assigns a rating based on the residual risk which is measured by estimates of velocity, impact, and probability.

A residual risk may be considered to have a substantive financial impact depending on its potential effect on net operating profit or sales growth. Potential scenarios for substantive financial impact may be those that could exceed \$100 million in net operating profit or 1% annual net sales, in each case on a consolidated basis; however, this is not a definitive metric that defines our assessment of financial significance, and any risk is subject to further evaluation prior to any conclusion on financial impact.

The financial impact metric is one component for risk evaluation. There are additional contributing factors ELC would consider (e.g., if a risk could impact our ability to comply with regulations or could cause an operational disruption). From a strategic standpoint, we consider a risk to be substantive when our ability to achieve strategic goals could be impacted or if the reputation of ELC or one of our brands has the potential to be impacted in a meaningful way (e.g., loss of consumer/employee confidence/trust, loss of sales via boycotts).

**F3.1b**

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

**Forest risk commodity**

Timber products

**Type of risk**

Regulatory

**Geographical scale**

Country

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

Supply chain

**Primary risk driver**

Changes to national legislation

**Primary potential impact**

Increased production costs

**Company-specific description**

Changes to legislation could have an impact on procurement costs of timber-based packaging materials if suppliers face increased compliance costs from these regulations which could be passed onto our business or if we need to change sources or materials. Products using timber in secondary or tertiary packaging or in finished products impacts 100% of our revenue. Changes in the price of timber would impact ELC's costs of doing business. ELC currently complies with timber regulations in the countries from which we source timber. This includes the EU Timber Regulation in Europe (where we estimate we source between 50% to 60% of our known origin timber), the Lacey Act in the United States (where we estimate we source between 1% to 5% of our known origin timber) and Australian Timber Regulations (where we source less than 1% of our timber). There is a risk that these regulations will increase in their coverage or that other regulations in our sourcing countries will be developed, impacting larger percentages of our sourced timber-based packaging materials. This could result in a need for procurement teams to switch suppliers or more drastically force changes in packaging materials used. For example, the implementation of a more stringent regulation in Europe, where we source a significant portion of our timber, would have an impact on our procurement of timber-based packaging. The magnitude of the impact would depend upon the particular regulation and the various reactions to it.

**Timeframe**

Current - up to 1 year

**Magnitude of potential impact**

Low

**Likelihood**

About as likely as not

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

Yes, an estimated range

**Potential financial impact (currency)**

<Not Applicable>

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

5500000

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

27500000

**Explanation of financial impact**

Financial impact assumes increased costs for timber-based packaging materials that are compliant with new legislation. Using our experience changing materials and the costs associated with changing suppliers as a proxy, we have estimated that an increase in timber-related regulations could lead to an increase in procurement costs within a range based on historical increases in price related to new legislation. We factor in potential increases to procurement costs with an estimate of the share of the materials that may be affected by new legislation. This is not a financially substantive risk for our business, but strategically it is important for ELC because of its reputational impact and because products associated with timber-based materials make up, up to 100% of our revenue. These impacts would be expected to materialize after the introduction or implementation of a new/enhanced legislation.

**Primary response to risk**

Increased use of sustainably sourced materials

**Description of response**

In FY20, ELC worked with Preferred by Nature (PbN), to provide Timber Legality training to staff and create an action plan to build a Due Diligence System (DDS) for sourcing timber-based products. ELC now implements a DDS procedure, including a supplier/sub-supplier risk assessment based on the value chains of timber-based products. We use PbN's Sourcing hub to assess countries' timber risk. The DDS also includes mitigation actions if risk is identified. ELC's strategy to respond includes our aim for 100% FSC-certified forest-based fiber cartons by 2025. FSC certification covers legality: right to harvest; taxes and fees; and harvesting activities/regs. Their system contains certification body requirements, including that audit be conducted at least annually, or no later than 15 months after the previous audit, in the case of chain of custody certification. Through our NDPE policy and FSC goal, we are responding to regulation change as certification has standards that go beyond current regulation. As such, suppliers already meeting these standards are unlikely to incur further compliance costs. In FY22, 95% of our forest-based fiber cartons and 64% of overall timber-based packaging materials were FSC certified. ELC intends to enhance this over time. We also continue to establish long-term agreements with FSC certified sources where volumes allow. For example, in FY22 ELC extended the commercial agreement with a second tier FSC certified Paper Mill.

**Cost of response**

456500

**Explanation of cost of response**

If national legislation were to require more rigorous due diligence requirements, we may need to further invest in our current system, for example by adding a technology-based traceability platform to track supplier compliance data therefore reducing our exposure to regulation risks. The cost of response is an estimate of making enhancements to our due diligence process by implementing an automated platform to collect timber-based supplier information. This platform would help ELC track supplier compliance with changing national legislation. The cost estimate was obtained by multiplying the number of Tier 1 suppliers by a proxy cost per supplier of a reasonable estimate for this type of work. The proxy cost was estimated based on our experience of using traceability platforms for other commodities. The estimated cost of response includes access to the platform (A), external support for supplier engagement (B) and technical support (C). The sum is a total of (A)+(B)+(C) multiplied by the number of Tier 1 suppliers.

**Forest risk commodity**

Palm oil

**Type of risk**

Chronic physical

**Geographical scale**

Country

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

Supply chain

**Primary risk driver**

Precipitation and/or hydrological variability

**Primary potential impact**

Increased production costs

**Company-specific description**

ELC has identified that flooding caused by heavy precipitation and sea level rise could impact the availability of palm oil in some of our sourcing regions. An analysis of short-term (2030) and long term (2050) climate risks across key raw material supply chains conducted in 2022 found that potential flooding and drought events in Indonesia, Malaysia and Mexico could lead to a reduction in land suitable for oil palm cultivation and thus a decline in the supply of palm oil, which could in turn drive up the price.

Although ELC is a comparatively low-volume user of palm-based ingredients, these ingredients are used in finished products that make up 71-80% of our revenue. Therefore, risks related to the supply and price of palm are important to ELC. In particular we have identified that Malaysia is vulnerable to the projected impacts of climate change. For instance, the Muar River Basin which flows through the states of Johor, Negeri Sembilan and Pahang in Malaysia (regions within our palm footprint) is subject to frequent flood events. ELC's CY2022 palm oil traceability study found that a portion of our palm-based ingredients came from these states with 21.9% of our palm supply coming from Malaysia as a whole.

**Timeframe**

&gt;6 years

**Magnitude of potential impact**

Medium-low

**Likelihood**

About as likely as not

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

Yes, an estimated range

**Potential financial impact (currency)**

&lt;Not Applicable&gt;

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

2000000

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

4000000

**Explanation of financial impact**

Financial impact relates to increased production cost for palm oil and derivatives. Using the International Energy Agency modelling of projected crude oil import prices over the next decade in a beyond 2-degree scenario as a proxy for increased commodity market pricing as a result of climate change, we have assumed a range of increase in the market pricing of the palm oil and derivatives we procure. This is not a financially substantive risk for our business, but strategically it is important for ELC because of the potential impact from fluctuations in the palm oil market. We have assumed a range to account for these fluctuations and to account for the uncertainty in projected climate change impacts. We calculated the financial impact to be volumes of palm-based ingredients multiplied by the range of increase of market pricing to give the minimum financial impact of \$2M and the maximum financial impact of \$4M.

**Primary response to risk**

Increased use of sustainably sourced materials

**Description of response**

To respond to this risk ELC aims to purchase 100% RSPO-certified palm-based derivatives by 2025, to ensure all purchased palm products adhere to the RSPO criteria and ELC has in-depth information about practices used in plantations. The RSPO Principles & Criteria 'Principle 7' aims to minimize the industry's climate impact. Sustainable agriculture practices that members follow can increase the resilience of the palm value chain to manage climate impacts. In FY22, 100% of our palm-based derivatives were RSPO certified, and ELC intends to maintain this.

In FY22, the Estée Lauder Companies Charitable Foundation (ELCCF) contributed to the ASD Impact Fund. Funding from ELCCF and other donors allowed Kaleka (formerly known as Inobu) to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management/restoration in Kalimantan. Ecosystem restoration can improve wildlife habitats, water regulation, soil protection and carbon sequestration, whilst sustainable agricultural practices can improve resilience to climate change impacts. By FY22, this initiative has reached more than 580 individuals with farmer trainings on no burning, organic farming, natural pesticides, RSPO certifications, and the planting of seedlings of various species fulfilling ecological, economic, and socio-cultural functions.

**Cost of response**

912000

**Explanation of cost of response**

The cost of response is the sum of ELC's annual RSPO and ASD memberships (A), EcoVadis membership (B), SPI supplier evaluation (palm assessment) (C), and the estimated incremental costs of sourcing certified materials (D). The costs of memberships and the SPI supplier evaluation were derived from CY2221 absolute costs with no additional assumptions applied. The incremental costs of sourcing certified materials were estimated based on forecast growth in required palm-based ingredient volumes and historical price information. The cost of response is estimated as (A)+(B)+(C)+(D).

**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 &amp; services

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

Other parts of the value chain

**Primary forests-related opportunity**

Increased sales of existing products/services

**Company-specific description**

Consumers are increasingly drawn to sustainable brands and products. The 2022 Global Sustainability Study conducted by Simon-Kucher & Partners based on surveys with more than 11,500 consumers around the world found that 60% indicated that environmental sustainability was important when making purchasing decisions on beauty and personal care products, a 7% increase as compared to 2021. This suggests that the demand for products associated with non-deforestation commitments/progress is increasing. Brands that have a strong positioning in terms of sustainability are best placed to benefit from this trend by growing their revenues. This study included markets where ELC operates such as China and Singapore, suggesting a clear strategic opportunity for ELC to enhance our commercial brand value by actively demonstrating our commitment to non-deforestation policies across these locations. In FY22, Asia/Pacific represented over 30% of ELC's revenue, illustrating the importance of the region. Aligning with our values, ELC endeavors to source ingredients/materials responsibly with attention to impacts on people and the planet. This includes our non-deforestation commitments. ELC believes this presents an opportunity for our brands to attract more customers who value sustainability.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Low

**Likelihood**

About as likely as not

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

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

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

10000000

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

20000000

**Explanation of financial impact figure**

We believe sustainability and, in this case, timber-based products, is increasingly important to our consumers and influences their purchasing behavior. Hence, our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing responsibly sourced timber-based products provide value to our selected brands.

We've calculated this \$10M-20M opportunity as the portion of potential future revenue from products associated with FSC certified timber-based materials of selected brands (selected because they are more likely to be impacted by consumer preferences for products with sustainability attributes) to be purchased by a part of the consumers for whom environmental sustainability has become an important factor in their purchasing decisions in 2022 (Source for consumer purchase preference data: 2022 and 2021 Global Sustainability studies conducted by Simon-Kucher & Partners).

Our assumption to calculate this opportunity is that those consumers also prioritize responsible sourcing of timber-based products and would consider a company's policies and performance on timber in their purchasing decisions. The portion of potential future revenue from products associated with FSC certified timber-based materials of selected brands was calculated considering all packaging components containing materials based on FSC-certified timber and used by the selected brands. The revenue forecast includes the expected sales of all the finished goods that contain those components.

**Cost to realize opportunity**

47000

**Strategy to realize opportunity**

Our strategy to realize the opportunity is to focus on reducing environmental impacts of a package across the lifecycle. In FY20, we launched Packaging Guidelines for ELC's staff. These contained our approach and material selection guides. In addition, they provide direction for enhancing sustainability. In FY19, we set a goal to use responsibly sourced paper products where possible, aiming for 100% FSC certified forest-based fiber cartons by 2025. FSC was chosen as a robust scheme that does not allow for deforestation to take place in certified concessions. The certification covers legality and has safeguards to ensure forest stakeholders meet requirements. This target along with other packaging/ESG targets will enable ELC to advance its commitment to responsible corporate citizenship. These enterprise-wide goals will drive value for our brands as they adapt to meet these commitments. In FY22, 95% of our forest-based fiber cartons were FSC certified. ELC intends to continue enhancing this. For example, in FY22 ELC extended our commercial agreement with a FSC certified paper mill. Additionally, we have published a Timber Action Plan, to outline our commitments and build on our NDPE policy. The plan and policy apply to applicable materials purchased directly by ELC and includes all relevant sourcing geographies and direct suppliers.

The cost to realize the opportunity has been calculated by adding the estimated incremental cost of sourcing FSC certified materials.

**Forest risk commodity**

Palm oil

**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 sales of existing products/services

**Company-specific description**

ELC are a relatively low volume user of palm oil, palm fruit oil and palm kernel oil derivatives, but are sensitive to the complexities surrounding their sustainable production and traceability as products containing palm oil derived ingredients make up 71-80% of our revenue. Consumers are increasingly drawn to sustainable brands and products. The 2022 Global Sustainability Study conducted by Simon-Kucher & Partners based on surveys with more than 11,500 consumers around the world found that 60% indicated that environmental sustainability was important when making purchasing decisions on beauty and personal care products in 2022, a 7% increase as compared to 2021. This suggests that the demand for products associated with non-deforestation commitments/progress is increasing. Brands that have a strong positioning in terms of sustainability are best placed to benefit from this trend by growing their revenues. This study included markets where ELC operates such as China and Singapore, suggesting a clear strategic opportunity for ELC to enhance our commercial brand value by actively demonstrating our commitment to non-deforestation policies across these locations. In FY22, Asia/Pacific represented over 30% of ELC's revenue, illustrating the importance of the region. Aligning with our values, ELC endeavors to source ingredients/materials responsibly with attention to impacts on people and the planet. This includes our non-deforestation commitments. ELC believes this presents an opportunity for our brands to attract more customers who value sustainability.

**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, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

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

16000000

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

31000000

**Explanation of financial impact figure**

We believe sustainability and, in this case, sustainable palm-based products, is increasingly important to our consumers and influences their purchasing behavior. Hence, our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing sustainable palm-based products provides value to our purpose-driven brands.

We've calculated this \$16-31M opportunity to be the portion potential future revenue from palm-containing products of selected brands (selected because they are more likely to be impacted by consumer preferences for products with sustainability attributes) to be purchased by a part of the consumers for whom environmental sustainability has become an important factor in their purchasing decisions in 2022 (Source for consumer purchase preference data: 2022 and 2021 Global Sustainability studies conducted by Simon-Kucher & Partners).

Our assumption to calculate this opportunity is that this group of consumers also prioritizes sustainable palm-based products and would consider a company's policies and performance on palm oil as part of their purchasing decisions. The portion of potential future revenue from palm-containing products of selected brands was calculated considering all palm-based ingredients used by the selected brands and reviewing the revenue forecast for all of the finished goods that contain those materials.

**Cost to realize opportunity**

822000

**Strategy to realize opportunity**

Our strategy to realize this includes our target to purchase 100% RSPO-certified palm-based derivatives by 2025 and 95% of our palm-based ingredients to be certified sustainable from RSPO physical supply chains by 2025. This strategy has been actioned through supplier engagement to increase our volumes of RSPO certified materials. For example, in CY22, we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with relevant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans. The RSPO and other stakeholders are working to establish a palm oil supply chain that protects native forests. These targets demonstrate our commitment to responsibly source palm oil and clearly demonstrate this to consumers. In CY22, 100% of our purchased palm-based ingredients were certified to RSPO standards for sustainable production. ELC intends to maintain this.

The cost to realize the opportunity has been calculated by adding the estimated cost of sourcing RSPO certified ingredients plus the cost of RSPO credits purchased for CY22.

**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 or committee	Responsibilities for forest-related issues
Board Chair	We believe that effectively managing our social impact and sustainability work will be an important part of our success. These efforts, including forests-related initiatives and strategy are led by our Executive Chairman and President and CEO - and overseen by the Board of Directors, particularly the Nominating and ESG Committee. Our nominating and ESG Committee has oversight responsibility for our Company's environmental, social, and governance activities and practices, including sustainability and social impact matters. Senior leaders from Finance; Global Communications and Public Affairs; Global Corporate Citizenship and Sustainability (GCCS); HR; Inclusion, Diversity, and Equity (ID&E); Legal; R&D; and Supply Chain, as well as other representatives across brands, regions, channels, and functions drive our social impact and sustainability strategic initiatives and progress toward goals.
Chief Executive Officer (CEO)	We believe that managing our social impact and sustainability will be an important part of our success. These efforts, including forests-related initiatives, are led by our Executive Chairman and President and CEO and overseen by the Board of Directors, particularly the Nominating and ESG Committee, which has oversight for our Company's ESG activities, including sustainability and social impact matters. Senior leaders from across the business drive our social impact and sustainability initiatives and progress toward commitments.  For example, the ELCCF Board of Directors, which include our Executive Chairman and CEO and President, approved a grant of \$1.5M to Conservation International. In FY22, \$500K was donated to Conservation International with the following \$1M to be donated during FY23 and FY24. This grant funds a program helping to conserve carbon and mitigate climate change by supporting nine indigenous women and their communities conserve forests in Bolivia, Ecuador, and Peru.
Other, please specify (Nominating and ESG Committee)	The company's Nominating and ESG Committee is a board-level committee. It is responsible for corporate governance matters and includes oversight of the company's ESG activities and practices, including sustainability and social impact matters. ESG updates, including updates on our palm and timber strategy, initiatives, and progress towards goals, are provided to the committee periodically.

**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 Monitoring progress towards corporate targets Overseeing the setting of corporate targets 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	GCCS provides periodic updates on the company’s social impact and sustainability initiatives and performance at the Board and committee level. As of July 2019, Social Impact and Sustainability is a standing agenda item scheduled for the Nominating and ESG committee of the Board of Directors. These updates take place periodically.  These reports help the Board to monitor implementation and how we are performing against our forest-related objectives. Specifically, this committee oversees our company’s performance on our sustainability goals, which include the following goals: - At least 95% of our palm-based ingredients* (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains by the end of 2025. *Excludes palm-based ingredients not directly procured by ELC, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.  - 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.  The company’s Nominating and ESG Committee’s responsibility for corporate governance includes oversight of the Company’s citizenship and sustainability matters.

**F4.1d**

**(F4.1d) Does your organization have at least one board member with competence on forests-related issues?**

**Row 1**

**Board member(s) have competence on forests-related issues**

Yes

**Criteria used to assess competence on forests-related issues**

Competence on forests-related issues is assessed based on the following criteria:

- Board member understands how these risks and opportunities could potentially impact ELC’s business.
- Board member has the ability to discuss forests-related matters at the Board level.

Currently, ELC has Board Member(s) that have these competencies.

**Primary reason for no board-level competence on forests-related issues**

<Not Applicable>

**Explain why your organization does not have at least one board member with competence on forests-related issues and any plans to address board-level competence in the future**

<Not Applicable>

**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)	Forests-related responsibilities of this position	Frequency of reporting to the board on forests-related issues	Please explain
Chief Sustainability Officer (CSO)	Managing annual budgets relating to the implementation of forest-related policies and commitments Integrating forests-related issues into business strategy Setting forests-related corporate targets Monitoring progress against forests-related corporate targets	Quarterly	Our CSO, who reports directly to our Executive Chairman, President and CEO, leads the Global Corporate Citizenship and Sustainability (GCCS) function. GCCS is responsible for managing corporate-wide sustainability and social impact initiatives. Our CSO directs a dedicated team that supports corporate, brand-, and region-led sustainability strategies and commitments. Our CSO reports to the Nominating and ESG Committee of the Board of Directors quarterly, with updates on sustainability, including forest-related issues. Our CSO also sits on the ESG management committee overseeing all sustainability efforts, including setting corporate targets, monitoring progress against targets, and integrating forests-related issues into strategy. Outside of Nominating and ESG Committee reports, our CSO presents to the board as requested on sustainability and social impact initiatives.  In FY22, our CSO updated the Nominating and ESG Committee on the following forests-related topics: FY21 CDP Palm score of A-, FY21 CDP Timber score of B, our new elevated public goal of 95% RSPO physically certified palm- based ingredients by 2025, and continued engagement with the industry group, Action for Sustainable Derivatives.

**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	Contribution of incentives to the achievement of your organization's forests-related commitments	Please explain
Monetary reward	Chief Sustainability Officer (CSO)	Ending deforestation and/or conversion of other natural ecosystems Increasing commodity volumes with credible third-party certification Increased engagement with suppliers on forests-related issues Reduction of virgin wood fiber used in paper and packaging products (e.g., by reducing material input, or using recycled content/alternative fibers)	The incentives are measured against performance towards our sustainability strategy, which includes our ambition to differentiate through our responsible sourcing and packaging initiatives, with goals that address forests-related issues. Some of these goals include sourcing targets to increase our RSPO-certified palm-oil and derivatives, implement biodiversity and social action plans for ingredients with sensitive supply chains, and achieve 100% FSC certification for our forest-based fiber cartons.	Our CSO is responsible for the execution of a 3-year sustainability strategy, including targets to address forest-related issues. Annual assessments and incentives (salary, bonus, equity) reflect progress against this strategy.  CSO is incentivized to achieve forest-related goals in the sustainability strategy to receive higher salary increases, greater bonus payouts, and increased equity grants.
Non-monetary reward	Chief Sustainability Officer (CSO)	Other, please specify (Achievement of commitments and targets)	The incentives are measured against performance towards our sustainability strategy, which includes our ambition to differentiate through our responsible sourcing and packaging initiatives, with goals that address forests-related issues.	Our CSO is responsible for the execution of a 3-year sustainability strategy, including targets to address forest-related issues. Annual assessments reflect progress against this strategy.

**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.**



**Row 1**

**Scope**

Company-wide

**Commodity coverage**

General forests policy covering all commodities

**Content**

- Commitment to eliminate conversion of natural ecosystems
- Commitment to no land clearance by burning or clearcutting
- Commitment to eliminate deforestation
- Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)
- Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
- Adoption of the UN International Labour Organization principles
- Commitment to protect rights and livelihoods of local communities
- Commitments beyond regulatory compliance
- Commitment to stakeholder awareness and engagement
- 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 milestones and targets
- Description of forests-related standards for procurement

**Document attachment**

**Please explain**

ELC recognizes the importance of forest-based commodities to our business, as they relate to our packaging and raw ingredients. As such, in FY2020, we implemented a No Deforestation, No Peat, No Exploitation (NDPE) Policy, based on criteria from The Accountability Framework, which outlines our expectations for suppliers regarding no deforestation or conversion. The content was included because it aligns with ELC’s responsible sourcing strategy and reflects our implemented targets. The NDPE policy focuses on no deforestation, conversion and respect for human rights, indigenous peoples and local communities, as well as workers’ rights. The policy covers all suppliers with whom ELC engages, and all biomes/ ecoregions impacted by our direct operations and supply chains. It is used internally to inform commodity specific action plans, as a basis to conduct due diligence of ingredients, packaging sourcing, and to engage suppliers to comply. ELC conducts due diligence of raw material sourcing to ensure compliance based on commodity-specific action plans.

Our intent is to raise suppliers’ performance so they can comply with our standards. If suppliers fail to comply with the outlined ingredients and packaging sourcing criteria, we will develop supplier corrective action plans and aid in implementation. If there is a lack of cooperation or untimely implementation of corrective action plans, this may result in a reduction in supplier business or termination of the supplier relationship.

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

We assess compliance using third-party certifications such as FSC and RSPO. To ensure these commitments remain aligned to the business strategy, in FY19, we announced a target to have 100% of our forest-based fiber cartons FSC certified by 2025 and at least 90% of our palm-based ingredients certified sustainable from RSPO physical supply chains by 2025. In 2022, the target for palm was raised to 95%. To reflect emerging best practices in each of our supply chains, as well as our overall organization strategy, we review this policy annually.

**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?**

Forest risk commodity	Public commitments made
Timber products	Yes
Palm oil	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)

**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 land clearance by burning or clearcutting
- 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

1993-1997

#### Forest risk countries/areas that the cutoff date applies to

Applied globally

#### Reason for selecting cutoff date

Specific to commitment

#### 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. In addition, we have published a timber specific action plan to support the NDPE. These frameworks focus on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and communities, as well as workers' rights in all operations. The cut-off date of 1994 was selected as it applies to the 'no conversion of natural ecosystems' criteria and covers our FSC certified timber volumes, aligned to the FSC criteria.

Further, the NDPE commits us to conduct due diligence of raw material sourcing to ensure compliance. We will begin this process by conducting commodity supplier compliance assessments, including timber, which will then further inform our Timber Action Plan. In 2019, ELC publicly committed to use responsibly sourced paper products where 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 'environmentally appropriate, socially beneficial and economically viable'. These criteria include commitments to upholding the principles and rights at work as defined in the ILO Declaration on Fundamental Principles and Rights at Work, upholding the legal and customary rights of Indigenous Peoples, and committing to not damaging or threatening High Conservation Value sites (criteria selected above). Obtaining timber products with this certification allows us to meet our NDPE commitment. We have established and are validating comprehensive glidepaths to achieve our packaging goals and are enhancing our data collection and reporting capabilities. We are on track with glidepath execution.

To meet the selected criteria, including "No conversion of natural ecosystems", "No deforestation", and "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities", we continue to increase the percentage of FSC certified forest-based fiber cartons. For example, In FY22, 95% of our forest-based fiber cartons are FSC certified, increasing from 28% in fiscal 2019. Also, in FY22 94% of Travel Retail cartons used Forest Stewardship Council (FSC)-certified cardboard. Furthermore, we are focusing on using Forest Stewardship Council (FSC)-certified cardboard, paper, and woods where possible in our retail spaces, as a key design priority. .

In addition, in FY22 ELC extended our commercial agreement with a FSC certified paper mill, enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents more than 80% of total folding cartons supply.

In addition, we act to meet these criteria through ELCCF's partnership with Conservation International. This partnership is helping to conserve irrecoverable carbon and mitigate global climate change by supporting Indigenous women and their communities to conserve forests and biodiversity in Bolivia, Ecuador and Peru. Through the support of this grant, nine Indigenous women fellows will be supported in year one of the programme, which aims to foster leadership and gender equality in areas that are essential for forest conservation, climate security, biodiversity and Indigenous culture. The fellows are helping to conserve more than 550,000 hectares of irreplaceable high-carbon forests and biodiversity in the Amazon, sequestering 20 million tons of irrecoverable carbon. Conservation International (CI) will employ Conservation Agreements to protect biodiversity in existing forests from encroachment and to support the communities in their desires to achieve sustainable livelihoods.

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#### Forest risk commodity

Palm oil

#### Criteria

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

#### Operational coverage

Direct operations and supply chain

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

100%

**Cutoff date**

2005

**Forest risk countries/areas that the cutoff date applies to**

Applied globally

**Reason for selecting cutoff date**

Specific to commitment

**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. In addition, we have published a palm specific action plan. The NDPE policy and Palm Action Plan focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. The key cutoff dates for the different criteria include the following:

- Land clearing since November 2005 has not damaged primary forest or any area required to protect or enhance HCVs
- Land clearing since 15 November 2018 has not damaged HCVs or HCS forests and there has been no new development on peatland regardless of depth

To ensure compliance with the NDPE policy and Palm Action Plan, we conduct due diligence of raw material sourcing. We began this process by conducting commodity supplier compliance assessments, which informed 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. In FY2022, this target was raised to 95% after achieving our original goal three years early.

RSPO's Principles and Criteria requires that suppliers align to sustainable palm sourcing principles, including but not limited to No deforestation, No conversion, No peatland development regardless of depth, No burning in preparation of new plantings or re-plantings, FPIC to ensure protection and promotion of the rights of indigenous peoples and vulnerable communities. By increasing the percentage of RSPO certified palm, we are taking action to meet these commitments

Through the end of CY22, 91% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models). Our share of certified palm-based ingredients from RSPO physical supply chains showed a slight decline from CY21 as certain market factors, including the fluidity of demand patterns and market shortness of mass balance palm oil, has impacted our ability to obtain the required volume to meet demand in CY22. While we are still ahead of our original FY25 goal of 90% palm-based ingredients certified from RSPO physical supply chains, we are continuing to monitor market trends, focus on increased communications to our suppliers, and adjust purchasing as appropriate to help mitigate these challenges and maintain a consistent supply of mass balance palm oil.

Procurement and R&D teams met with over 10 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

An example of action to meet our "No conversion of natural ecosystems", "Zero gross deforestation / no deforestation" and "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities" commitments in FY2022 is funding by the ELCCF for the Mosaik Initiative led by nongovernmental organization Kaleka (formerly known as Inobu). The support by ELCCF through ASD's Impact Fund helped to expand this project in two of the largest palm-producing districts in Central Kalimantan, Indonesia. In partnership with Kaleka, the two districts are developing ways to restore forest ecosystems while protecting remaining forests. The Mosaik Initiative aims to offer financing and technical support to smallholders on sustainable farming practices and RSPO certification and to create a jurisdictional farmers association for agroforestry products. By fiscal year 2022, the initiative had helped support more than 580 individuals through farmer trainings on no burning, organic farming, natural pesticides, RSPO certifications, and the planting of seedlings of various species fulfilling ecological, economic, and socio-cultural functions.

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**F5. Business strategy**

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**F5.1**

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**(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	11-15	<p>ELC is striving to embed sustainability and social impact into our business operations in the long-term. We have set Science Based Targets to reduce our carbon emissions from our direct operations and value chain. Through these targets, we aim to reduce our emissions over a 12-year timeframe (from FY18 to FY30), including emissions from forests-related commodities through our work on raw materials sourcing and innovation, packaging, and sensitive supply chains.</p> <p>Additionally, our 2019-2025 Environmental, Social and Governance goals include targets for both timber and palm commodities, as well as wider commitments on packaging, waste, ingredients, and energy and climate. We expect that achievement of these goals will contribute to GHG emissions reductions in addition to other benefits. These goals are an important part of our strategy to embed social impact and sustainability into our business operations. For example, we have set a goal to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by 2025. In FY22, 95% of our forest-based fiber cartons are FSC certified, increasing from 28% in FY19. For palm we set a goal that by 2025, at least 95% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains.</p>
Strategy for long-term objectives	Yes, forests-related issues are integrated	11-15	<p>The strategy to achieve our long-term goals includes</p> <ul style="list-style-type: none"> <li>-The publication of our Climate Action Transition Plan in FY22 which outlines our strategy meet our 2030 Science Based Targets. Within our transition plan, we discuss how, in the coming years, we plan to explore options to further decarbonize our ingredient supply chain, for example, by refining our systems for measuring the climate impact of our sourcing action plans and other programs and by expanding supplier summits and increasing other collaboration opportunities across suppliers. Our intention is to start with our largest opportunities for impact.</li> <li>- The publication of our NDPE policy in FY20. This policy applies to suppliers of raw materials to support our long-term commitments to responsible sourcing and will be an ongoing requirement. We will conduct due diligence of raw material sourcing to ensure compliance and prohibition of new clearing/palm development on High Carbon Stock or High Conservation Value forests, beginning this process by conducting supplier compliance assessments to inform commodity-specific action plans.</li> <li>- Engagement and participation as a founding member in the Action for Sustainable Derivatives (ASD). ASD intends to increase the transparency in global derivatives supply chains, collectively monitor risks, and implement collective action projects to scale efforts among its members towards compliance with NDPE principles and to transform the palm oil industry to address social and environmental issues.</li> <li>- Supporting The Lampung Project in Indonesia, a smallholder initiative focused on sustainable palm oil production, implemented by Solidaridad. The Project's goal is to empower 1,000 smallholder farmers in the Lampung Province to produce sustainable palm oil that minimizes environmental impact and improves livelihoods. Key components of the Project include the training of farmers in good agricultural practices.</li> <li>-Evaluating and monitoring our suppliers through EcoVadis, an online ratings service. EcoVadis helps us assess direct and indirect suppliers on environmental impact and ethical procurement practices, among other factors. In FY22, we increased the total number of direct and indirect suppliers ranked by EcoVadis to more than 1,000. We use these rankings to further engage with direct suppliers to help them improve their scorecards.</li> </ul>
Financial planning	Yes, forests-related issues are integrated	11-15	<p>In the long term, we have estimated costs associated with achieving our 2030 Science Based Targets over a 12-year period (FY18 to FY30). We aim to reduce emissions from our raw materials and ingredients, including forest-related commodities, as part of our strategy to meet our Scope 3 target. Costs associated with these activities have been forecasted for financial planning purposes. For example, as part of this work we have modelled the cost of purchasing certified forest-based ingredients and recycled packaging that we expect will help to reduce the GHG impact of our products. We have also modelled the cost of expanding our supplier disclosure and capability building programs through 2030, including those that engage suppliers of forest-based commodities.</p>

**F6. Implementation**

**F6.1**

**(F6.1) Did you have any forests-related timebound and quantifiable targets that were active during the reporting year?**

Yes

**F6.1a**

**(F6.1a) Provide details of your forests-related timebound and quantifiable target(s) and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Year target was set**

2019

**Target coverage**

Company-wide

**Target category**

Third-party certification

**Metric**

% of volume third-party certified

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC (any type)

**Base year**

2019

**Base year figure**

28

**Target year**

2025

**Target year figure**

100

**Reporting year figure**

95

**% of target achieved relative to base year [auto-calculated]**

93.05555555555556

**Target status in reporting year**

Underway

**Is this target linked to a commitment?**

Zero net/gross deforestation

**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. We achieved 95% of our FSC goal for timber-based cartons in FY22, increasing from 28% in FY19. 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 packaging and ESG targets will enable ELC to continue to advance its commitment to social impact and sustainability. These enterprise-wide goals will drive value for our brands as they align and innovate to meet these commitments. Consumers and employees are increasingly drawn to purpose-driven brands and companies. We have a long history of giving back and improving the places where we live and work. We ensure that we are progressing towards this target every year by shifting sourcing of timber products to suppliers with FSC certified products. For example, in FY22 ELC extended our commercial agreement with a FSC certified paper mill, enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents more than 80% of total folding cartons supply. For existing suppliers which do not have FSC certification we will not agree to new business contracts until certification is complete.

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**Target reference number**

Target 2

**Forest risk commodity**

Timber products

**Year target was set**

2018

**Target coverage**

Company-wide

**Target category**

Engagement with direct suppliers

**Metric**

% of direct suppliers engaged

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Base year**

2018

**Base year figure**

14

**Target year**

2025

**Target year figure**

100

**Reporting year figure**

100

**% of target achieved relative to base year [auto-calculated]**

100

**Target status in reporting year**

Achieved

**Is this target linked to a commitment?**

Zero net/gross deforestation

**Please explain**

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. In FY22 100% of strategic timber-based packaging material suppliers have been engaged. Furthermore, more than 70% of timber-based packaging material suppliers have been engaged representing more than 95% of the of timber-based packaging material FY22 spend.

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**Target reference number**

Target 3

**Forest risk commodity**

Timber products

**Year target was set**

2022

**Target coverage**

Company-wide

**Target category**

Engagement with direct suppliers

**Metric**

% of direct suppliers engaged

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

&lt;Not Applicable&gt;

**Base year**

2022

**Base year figure**

50

**Target year**

2025

**Target year figure**

100

**Reporting year figure**

70

**% of target achieved relative to base year [auto-calculated]**

40

**Target status in reporting year**

Underway

**Is this target linked to a commitment?**

Zero net/gross deforestation

**Please explain**

ELC endeavors to source our timber-based materials responsibly with respect for local communities and the environment. We require our suppliers to adhere to the principles outlined in our Supplier Code of Conduct and NDPE policy. Engaging strategic suppliers through CDP Forests and training supports our efforts to ensure suppliers comply with our policy requirements and contributes to the achievement of ELC's Sustainability goals.

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**Target reference number**

Target 4

**Forest risk commodity**

Palm oil

**Year target was set**

2019

**Target coverage**

Company-wide

**Target category**

Third-party certification

**Metric**

% of volume third-party certified

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

RSPO Identity Preserved

RSPO Segregated

RSPO Mass Balance

**Base year**

2019

**Base year figure**

58

**Target year**

2025

**Target year figure**

95

**Reporting year figure**

91

**% of target achieved relative to base year [auto-calculated]**

89.1891891891892

**Target status in reporting year**

Underway

**Is this target linked to a commitment?**

Zero net/gross deforestation

**Please explain**

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. ELC achieved this goal by the end of CY21. In FY2022, this target was therefore raised to 95%. We selected to set our goal of 95% from RSPO certified physical supply chains because of a variety of factors, including, for example, the availability of certified palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. In CY22 we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with significant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

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**Target reference number**

Target 5

**Forest risk commodity**

Palm oil

**Year target was set**

2020

**Target coverage**

Company-wide

**Target category**

Traceability

**Metric**

% of volume traceable to traceability point

**Traceability point**

Mill

**Third-party certification scheme**

&lt;Not Applicable&gt;

**Base year**

2020

**Base year figure**

71.5

**Target year**

2021

**Target year figure**

75

**Reporting year figure**

84.2

**% of target achieved relative to base year [auto-calculated]**

362.857142857143

**Target status in reporting year**

Achieved

**Is this target linked to a commitment?**

Zero net/gross deforestation

**Please explain**

ELC is continuing to monitor our sustainable palm procurement by building transparency and confidence in our supply chain among partners and suppliers through industry collective action. In 2019, ELC became a founding member of the Action for Sustainable Derivatives (ASD), a pre-competitive collaboration of brands and suppliers aimed at addressing responsible sourcing in complex derivative supply chains by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. Through our membership in ASD, ELC is committed to establishing traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles, and collectively monitor and address grievances. We selected 75% as our traceability target as this represents the majority of our volumes, but also recognizes the complexity of the palm derivatives supply chain. We achieved 84.2% traceability to mill in CY22, exceeding our target.

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**Target reference number**

Target 6

**Forest risk commodity**

Palm oil

**Year target was set**

2019

**Target coverage**

Country/area/region

**Target category**

Engagement with smallholders

**Metric**

Number of smallholders engaged

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Base year**

2019

**Base year figure**

0

**Target year**

2022

**Target year figure**

1000

**Reporting year figure**

1003

**% of target achieved relative to base year [auto-calculated]**

100.3

**Target status in reporting year**

Achieved

**Is this target linked to a commitment?**

Zero net/gross deforestation

**Please explain**

In 2018, the company launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. Though COVID-19 impacts have extended the project timeline and in particular delayed progress of the Farmer Field School Trainings, a total of 1003 smallholder farmers have been reached by the Farmer Field Schools in CY2022. This target to train 1000 smallholders in Farmer Field School was selected in partnership with the project implementation partners who understand the profile of the local community and the population of smallholders engaged in palm production in the area.

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F6.2

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**(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?	Supply chain coverage	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	Volume from direct suppliers only	ELC is currently implementing a Due Diligence System (DDS) which includes collecting traceability information on the origin of timber-based products, among other information.  Additionally, FSC certification helps to improve timber traceability because the FSC system includes a certified chain of custody. This tracks materials and products through every stage in the supply chain from the forest or point of reclamation, to the point where it is finished and labelled. In FY22, 95% 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. For example, in FY22 ELC extended our commercial agreement with a FSC certified paper mill, enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents more than 80% of total folding cartons supply.	Specific supplier(s)	The traceability system implemented excludes suppliers we stopped doing business with or that closed operations during FY22.
Palm oil	Yes	Volume from direct suppliers only	In fiscal 2022, we continued our ongoing engagement and participation as a founding members of Action for Sustainable Derivatives (ASD). ASD remains focused on the complex palm oil derivatives supply chain and comprises a group of personal care companies that uses derivatives and their suppliers. 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. Through our ASD membership, we have engaged with key suppliers to establish traceability to the mill level for 84.2% of our palm derivative volumes. This visibility is crucial to help address risks and will allow us to confirm that the sourcing practices of our palm ingredients suppliers align to our principles.	Specific supplier(s)	The traceability system implemented through ASD excludes suppliers only providing minor volumes of palm-based ingredients, representing only 2% of our volumes of palm-based volumes overall.
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>

**F6.2a**

**(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	Countries/areas to which this traceability point applies	% of total production/consumption volume traceable
Timber products	Forest management unit	Please select	28
Timber products	Mill	Please select	57
Timber products	Country	Please select	4
Timber products	First importer	Please select	11
Palm oil	Plantation	Please select	47
Palm oil	Mill	Please select	37
Palm oil	Refinery	Please select	5
Palm oil	First importer	Please select	11

**F6.3**

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

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	64
Palm oil	Yes	91
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.3a**

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

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC Chain of Custody

**Chain-of-custody model used**

&lt;Not Applicable&gt;

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

64

**Form of commodity**

Secondary packaging

Tertiary packaging

**Volume of production/ consumption certified**

10065

**Metric for volume**

Metric tons

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

No

**Is embedded soy certified through this scheme?**

&lt;Not Applicable&gt;

**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. Furthermore, we are expanding our use of FSC certified timber-based materials broadly. This has allowed for an increase of FSC certification across overall timber-based materials which includes folding cartons, corrugate, leaflets, liners and others from 29% in FY20 to 64% in FY22. FSC certification was chosen as it is a robust certification scheme that does not allow for deforestation to take place in its certified concessions. It also has a robust system of safeguards to ensure forest owners/ managers meet these requirements, such as third-party certification, annual audits, and accreditation of certification bodies. Furthermore, before establishing our public commitments, some ELC brands such as Aveda and Origins had already been using FSC certified folding cartons, including Aveda's first Forest Stewardship Council (FSC) certified high-end folding carton paperboard made from 100% post-consumer waste (PCW). We ensure that we are maintaining and improving our percentage of FSC certified timber-based materials by monitoring our consumption of certified products and shifting sourcing of paper products to suppliers with FSC certified products or engaging with suppliers to encourage them to obtain FSC certification. For example, in FY22 ELC extended our commercial agreement with a FSC certified paper mill, enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents more than 80% of total folding cartons supply. In FY22 we also continued updating our folding cartons specs reflecting the FSC certification thus ensuring accurate FSC accounting.

**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Mass Balance

**Chain-of-custody model used**

&lt;Not Applicable&gt;

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

90.84

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

4603.47

**Metric for volume**

Metric tons

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

No

**Is embedded soy certified through this scheme?**

&lt;Not Applicable&gt;

**Please explain**

Through our membership in the 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. 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 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 began this process by conducting key commodity supplier compliance assessments, including palm oil, which further informed commodity-specific action plans.

In 2019, ELC publicly committed 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. In FY2022, this target was raised to 95% after achieving our original goal three years early. Through the end of CY22, 91% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models). Our share of certified palm-based ingredients from RSPO physical supply chains showed a slight decline from CY21 as certain market factors, including the fluidity of demand patterns and market shortness of mass balance palm oil, has impacted our ability to obtain the required volume to meet demand in CY22. While we are still ahead of our original FY25 goal of 90%, we are continuing to monitor market trends, focus on increased communications to our suppliers, and adjust purchasing as appropriate to help mitigate these challenges and maintain a consistent supply of mass balance palm oil. In CY22, we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with significant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

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**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Identity Preserved

**Chain-of-custody model used**

&lt;Not Applicable&gt;

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

0.02

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

0.93

**Metric for volume**

Metric tons

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

No

**Is embedded soy certified through this scheme?**

&lt;Not Applicable&gt;

**Please explain**

Through our membership in the 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. 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 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 began this process by conducting key commodity supplier compliance assessments, including palm oil, which further informed commodity-specific action plans.

In 2019, ELC publicly committed 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. In FY2022, this target was raised to 95% after achieving our original goal three years early. Through the end of CY22, 91% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models). Our share of certified palm-based ingredients from RSPO physical supply chains showed a slight decline from CY21 as certain market factors, including the fluidity of demand patterns and market shortness of mass balance palm oil, has impacted our ability to obtain the required volume to meet demand in CY22. While we are still ahead of our original FY25 goal of 90%, we are continuing to monitor market trends, focus on increased communications to our suppliers, and adjust purchasing as appropriate to help mitigate these challenges and maintain a consistent supply of mass balance palm oil. In CY22, we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with significant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

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**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Segregated

**Chain-of-custody model used**

&lt;Not Applicable&gt;

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

0.01

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

0.08

**Metric for volume**

Metric tons

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

No

**Is embedded soy certified through this scheme?**

&lt;Not Applicable&gt;

**Please explain**

Through our membership in the 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. 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 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 began this process by conducting key commodity supplier compliance assessments, including palm oil, which further informed commodity-specific action plans.

In 2019, ELC publicly committed 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. In FY2022, this target was raised to 95% after achieving our original goal three years early. Through the end of CY22, 91% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models). Our share of certified palm-based ingredients from RSPO physical supply chains showed a slight decline from CY21 as certain market factors, including the fluidity of demand patterns and market shortness of mass balance palm oil, has impacted our ability to obtain the required volume to meet demand in CY22. In CY22, we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with significant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to

their action plans.

The percentage of total consumption volume certified has been rounded up to 0.01% for disclosure. The actual percentage is 0.0016%.

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#### F6.4

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

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

#### F6.4a

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

**Forest risk commodity**

Timber products

**Operational coverage**

Supply chain

**Description of control systems**

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

**Monitoring and verification approach**

Third-party verification

**% of total volume in compliance**

61-70%

**% of total suppliers in compliance**

81-90%

**Response to supplier non-compliance**

Suspend & engage

**% of non-compliant suppliers engaged**

10-20%

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

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

**Please explain**

The FSC system includes the requirement that audits are conducted at least annually and no later than 15 months after the previous audit, in the case of chain of custody certification. Our response to non-compliance depends on the severity of the non-compliance. In extreme cases we will terminate supplier contracts. For less extreme cases for our current non-certified forest-based fiber carton suppliers we will work with them to gain certification and will not renew business contracts until their certification is complete. In FY22, 95% of our forest-based fiber cartons are FSC certified, increasing from 28% in fiscal 2019. This is included in the 64% which is the overall FSC certification for all timber-based materials which includes folding cartons, corrugate, leaflets, liners and others. We anticipate that this percentage will increase as we continue to implement internal controls to ensure compliance with FSC requirements and strive to reach our goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025.

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**Forest risk commodity**

Palm oil

**Operational coverage**

Supply chain

**Description of control systems**

RSPO/ACOP tracking: We monitor and track RSPO physically certified palm volumes through our internal systems. 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**

91-99%

**% of total suppliers in compliance**

81-90%

**Response to supplier non-compliance**

Retain & engage

**% of non-compliant suppliers engaged**

51-60%

**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 92% of our palm volume and have at least one site/material that is RSPO certified. We calculate certified volumes periodically through a standardized operational procedure (SOP) and publish progress annually through the RSPO ACOP (Annual Communication on Palm).

We address non-compliance depending on whether the supplier currently exists in our supplier portfolio or whether the supplier is new, rather than on the severity of non-compliance. For all new material that is coded, the materials must be RSPO Mass Balance compliant or greater or they will not be coded. For existing suppliers, we engage with them to facilitate a shift to RSPO certified materials providing timeframes for achieving RSPO certification. For example, in CY22 we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with relevant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans. The small group of non-compliant suppliers that were not engaged represents less than 0.25% of our total volume of palm-based materials sourced in CY2022.

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

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

## F6.6a

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

### Timber products

#### Procedure to ensure legal compliance

We establish legal compliance with forest regulations and mandatory standards by sourcing FSC certified materials. The FSC standards require compliance to local laws (such as Brazilian Forest Code) and mandatory standards, as a minimum requirement for certification. The Principles and Criteria, which all certified manufacturers and actors across the value chain must adhere to, include the "Compliance with Laws" principle requiring certified companies to "comply with all applicable laws, regulations and nationally-ratified international treaties, conventions and agreements. More than 99.5% of timber-based materials originating from forest risk countries used by ELC in FY22 are FSC certified. We are working with our suppliers to confirm that less than 0.5% of non-FSC certified volumes are indeed coming from forest risk countries, and to reiterate our ambition to use responsibly sourced paper products whenever possible. We understand that by obtaining the FSC certification our suppliers have demonstrated compliance with forest regulations and mandatory standards such as the Brazilian Forest Code, an applicable local regulation.

#### Country/Area of origin

Argentina  
Australia  
Brazil  
Indonesia  
Mozambique  
Paraguay  
Thailand  
Viet Nam

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

Australia Illegal Logging Prohibition Act  
Forest Law - Argentina  
Forest Law - Paraguay  
Zero Deforestation Law - Paraguay  
Brazilian Forest Code

#### Comment

N/A

## Palm oil

### Procedure to ensure legal compliance

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

### Country/Area of origin

Brazil  
Cambodia  
Cameroon  
Colombia  
Côte d'Ivoire  
Gabon  
Ghana  
Guatemala  
Honduras  
India  
Indonesia  
Liberia  
Malaysia  
Mexico  
Nicaragua  
Nigeria  
Panama  
Papua New Guinea  
Peru  
Philippines  
Sierra Leone  
Thailand  
Venezuela (Bolivarian Republic of)

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

Brazilian Forest Code  
ISPO  
MSPO

### Comment

N/A

F6.7

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

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Not applicable	<Not Applicable>	<Not Applicable>	<Not Applicable>	We do not currently source any of our timber products directly from smallholders. Even though ELC does not have direct influence over the production practices that timber smallholders implement, through our FSC certification commitments, we endorse the work of FSC who engage with smallholders to implement good agricultural practices.
Palm oil	Yes, working with smallholders	Capacity building	Offering on-site technical assistance and extension services Prioritizing support for smallholders in high-risk deforestation regions	3719	<p>We aim to develop long-lasting relationships with suppliers who demonstrate the same commitment to operating responsibly across all facets of business. According to RSPO, over 7m smallholders rely on palm to support their income.</p> <p>These farmers face challenges such as limited access to markets and low productivity due to poor agricultural practices. ELC is committed to supporting farmers in building their capacities, with the goal of improving their livelihoods and increasing their participation in the palm value chain.</p> <p>The implementation of Project Lampung in Indonesia advanced despite restrictions due to COVID outbreaks. The project by ELC and BASF (a long-term supplier) is implemented by Solidaridad with Business Watch Indonesia and Kontak Tani Nelayan Andalan. The project aims to give smallholder farmers in Indonesia's Lampung Province access to skills and knowledge on sustainable agricultural practices in palm oil production. By the end of CY22, 1003 farmers had been trained on this subject in Farmer Field Schools.</p> <p>In FY22, the Estée Lauder Companies Charitable Foundation co-funded Kaleka's (formerly known as Inobu) Mosaik Initiative through ASD's Impact Fund. The initiative follows a jurisdictional approach to smallholder certification, sustainable palm production and landscape management in Kalimantan. By FY22, the initiative has reached more than 580 individuals through farmer trainings on no burning, organic farming, natural pesticides, RSPO certifications, and the planting of seedlings of various species fulfilling ecological, economic and socio-cultural functions.</p> <p>In addition, ELC purchased 464 RSPO Independent Smallholder credits, equivalent to 9% of our CY22 palm volumes. Through these purchases, we supported smallholder groups with 2136 independent farmer members*. For example, we supported a newly founded cooperative of 74 smallholders in West Kalimantan, Indonesia, which was certified in October 2022.</p> <p>The total smallholders engaged in 2022 is the sum of individuals reached through Project Lampung and the Mosaik Initiative plus the number of smallholders supported through the purchase of RSPO Independent Smallholder credits.</p> <p>* Member figures as reported by the groups in RSPO ACOP 2021 submissions or in more recent communications.</p>
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) Indicate if you are working with your direct suppliers to drive action on forests-related issues and if so, provide details of the engagement.**

**Forest risk commodity**

Palm oil

**Are you working with direct suppliers?**

Yes, working with direct suppliers

**Action(s) on forests-related issues driven by engagement**

Ending deforestation and/or conversion of other ecosystems

**Type of engagement**

Supply chain mapping  
Capacity building  
Other

**Details of engagement**

Supplier questionnaires on environmental and social indicators  
Offering on-site training and technical assistance  
Support suppliers to develop public time-bound action plans with clear milestones

**Description of engagement**

ELC aims to responsibly source palm-based ingredients by procuring ingredients from suppliers demonstrating adherence to the principles in our Supplier Code of Conduct and NDPE policy. The Code is the basis for evaluation of suppliers regarding ethical business practices and is the foundation of our Responsible Sourcing program. Our main strategy for engaging with direct suppliers includes:

Supplier questionnaires: We monitor existing supplier ESG performance via EcoVadis, whose ratings assess their environmental policies, practices and reported results and more. Each participating supplier answers a questionnaire and provides supporting documents. Suppliers are provided with strengths/areas for improvements. Suppliers with low performance are requested to be assessed annually. In 2022, ELC also worked with ASD on the Sustainable Palm Index (SPI), an annual evaluation scorecard for direct suppliers of palm oil/ palm kernel oil derivatives. Through the SPI, ELC palm supplier practices were evaluated on commitments, processes, and achievements. ELC followed up with participating suppliers based on their assessment results.

On-site training/technical assistance: In 2018, we started The Lampung Project in Indonesia, a smallholder initiative focused on sustainable palm oil production, led by Solidaridad. The Project's goal is to support smallholder farmers producing palm oil in reducing environmental impacts and improving livelihoods. Key components of the Project include the training of farmers in good agricultural and management practices that protect the environment and worker health. By the end of CY22, 1003 farmers had been trained on this subject in Farmer Field Schools.



Support suppliers to develop time-bound action plans: In CY22, we focused on engaging the suppliers that are not yet providing ELC with RSPO certified palm oil derivatives while supplying ELC with relevant volumes of palm-based materials. Procurement and R&D teams met with over 10 suppliers fulfilling these criteria to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

Through these strategies, over 80 direct suppliers of palm-based ingredients were engaged in FY22.

#### **% of suppliers engaged by procurement spend covered by engagement**

89

#### **Explain the impact of your engagement on the selected action**

The EcoVadis tool ranks suppliers with numerical scores that reflect the maturity level of their sustainability programs, practices, and initiatives. We engage with suppliers to help them improve. More than 60% of all suppliers of palm-based ingredients reassessed through EcoVadis in FY22 improved their EcoVadis scorecard performance from their previous assessment. The average SPI score of the suppliers engaged by ELC FY22 to participate in the SPI improved by 10% compared to the average in the previous year.

#### **Is this engagement helping your suppliers engage with their suppliers on the selected action?**

Yes

#### **Does this engagement contribute to achieving a reported target?**

Yes, please specify target ID(s) (Targets 4 and 6)

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#### **Forest risk commodity**

Timber products

#### **Are you working with direct suppliers?**

Yes, working with direct suppliers

#### **Action(s) on forests-related issues driven by engagement**

Ending deforestation and/or conversion of other ecosystems

#### **Type of engagement**

Supply chain mapping  
Capacity building

#### **Details of engagement**

Supplier questionnaires on environmental and social indicators  
Investing in pilot projects

#### **Description of engagement**

Expectations for suppliers/third-party manufacturers of product ingredients and packaging materials are set in our Supplier Code of Conduct. It is the basis for evaluation of suppliers regarding ethical business practices and is the foundation of our Responsible Sourcing program. The Supplier Code addresses human rights, child labor, forced labor, discrimination, worker health and safety, environment, ethical practices, anticorruption.

We monitor existing supplier ESG performance via EcoVadis by assessing their environmental policies, practices and reported results. Each participating supplier answers a custom questionnaire and provides supporting documentation. Suppliers are provided with strengths and improvement areas, with low performance requiring annual assessment. Strategic timber-based suppliers are part of our Supplier Relationship Management Program. As part of this program, sustainability is included in quarterly meetings, executive reviews, and business planning. Quarterly sustainability meetings are held with most strategic suppliers to assess progress on set goals and new initiatives, e.g., CDP Supply Chain Forests. In FY22, 70% of timber-based material suppliers engaged through these methods. This represents 70+ suppliers or 95% of the FY22 timber-based material spend and 100% of strategic timber-based material suppliers.

In 2021, ELC joined the Pulpex partner consortium as the first prestige beauty company to support the development of a recyclable paper bottle from responsibly sourced pulp. During FY22, we continued to evolve our approach to packaging to incorporate lessons from materials & ecosystems. It includes process improvements, supplier collaborations, alternative materials, and identification of ways to better engage with consumers. Joint efforts with suppliers, sustainability organizations, and internal teams allowed ELC to leverage a range of packaging solutions including the use of advanced recycling, refillable formats, innovative uses of materials (paper). We increased use of recyclable, recycled and refillable packaging and innovative solutions for sampling packaging, primarily made with paper, contributing to our commitments to use responsibly sourced paper products where possible aiming 100% FSC-certified forest-based fiber cartons and 75-100% recyclable, refillable, reusable, recycled or recoverable packaging by 2025.

#### **% of suppliers engaged by procurement spend covered by engagement**

96

#### **Explain the impact of your engagement on the selected action**

EcoVadis is an online ratings service by which suppliers can be assessed on environmental policies, practices and reported results. The assessment is based on the International Labour Organization (ILO) conventions, the UN Guiding Principles on Business and Human Rights, the Ten Principles of the UN Global Compact among other internationally recognized standards.

The EcoVadis tool ranks suppliers with numerical scores that reflect the maturity level of their sustainability programs, practices, and initiatives. We expect our direct strategic suppliers" to achieve an "advanced" EcoVadis score and other direct suppliers to achieve at least a "satisfactory" score. We engage with direct suppliers to help them improve. In FY22 more than 60% of strategic suppliers improved their EcoVadis scorecard performance from their previous assessment.

#### **Is this engagement helping your suppliers engage with their suppliers on the selected action?**

Yes

#### **Does this engagement contribute to achieving a reported target?**

Yes, please specify target ID(s) (Target 2)

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## F6.9

**(F6.9) Indicate if you are working beyond your first-tier supplier(s) to drive action on forests-related issues, and if so, provide details of the engagement.**

**Forest risk commodity**

Timber products

**Are you working beyond first tier?**

Yes, working beyond first tier

**Action(s) on forest-related issues driven by engagement**

Adopting UN International Labour Organization principles

**Type of engagement**

Supply chain mapping  
Innovation and collaboration

**Details of engagement**

Supplier questionnaires on environmental and social indicators  
Collaborate with suppliers on innovations to reduce forest-related impacts in products and services

**Description of engagement**

We engage with many of our tier-2 suppliers in multiple different ways, including through the monitoring of their social, environmental and governance practices and through contractual agreements.

We engage and monitor existing suppliers', 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 their environmental policies, practices, reported results and more. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform. For example, in FY22 second tier suppliers linked to 88% of FY22 folding carton spend were engaged in this program.

Another example of our engagement with tier-2 suppliers is the extension of our commercial agreement with a FSC certified paper mill, enabling us to maintain progress towards our FSC goal. This supplier operates in accordance with globally recognized certified standards for forest stewardship and management of environmental, energy and quality. Board coming from this source represents more than 80% of total folding cartons supply.

**Explain the impact of your engagement on the selected action**

EcoVadis is an online ratings service by which suppliers can be assessed on their environmental policies, practices, reported results and more. The assessment is based on the International Labour Organization (ILO) conventions, the UN Guiding Principles on Business and Human Rights, the Ten Principles of the UN Global Compact among other internationally recognized standards.

The EcoVadis tool ranks suppliers with numerical scores that reflect the maturity level of their sustainability programs, practices, and initiatives. We expect engaged suppliers to achieve at least a "satisfactory" score and demonstrate continuous improvement. In FY22 88% of folding cartons tier 2 suppliers improved their EcoVadis scorecard performance from their previous assessment.

**Does this engagement contribute to achieving a reported target?**

No

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**Forest risk commodity**

Palm oil

**Are you working beyond first tier?**

Yes, working beyond first tier

**Action(s) on forest-related issues driven by engagement**

Ending deforestation and/or conversion of other ecosystems

**Type of engagement**

Supply chain mapping  
Capacity building

**Details of engagement**

Supplier questionnaires on environmental and social indicators  
Offering on-site training and technical assistance

**Description of engagement**

We engage and monitor the environmental, social and governance performance of first tier suppliers and some key second tier suppliers via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on their environmental policies, practices, reported results and more. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform.

In 2022, ELC also worked with Action for Sustainable Derivatives on the Sustainable Palm Index (SPI), an annual evaluation scorecard for suppliers of palm oil/ palm kernel oil derivatives. Through the SPI, commitments, processes, and achievements of second tier suppliers of ELC were evaluated.

In addition, in fiscal 2022, the Estée Lauder Companies Charitable Foundation contributed to the ASD Impact Fund. Funding from ELCCF and other donors allowed Kaleka (formerly known as Inobu) to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management/ restoration in Kalimantan. In FY22, this initiative has reached more than 580 individuals with farmer trainings on no burning, organic farming, natural pesticides, RSPO certification, and the planting of seedlings of various species fulfilling ecological, economic, and socio-cultural functions.

**Explain the impact of your engagement on the selected action**

The EcoVadis tool ranks suppliers with numerical scores that reflect the maturity level of their sustainability programs, practices, and initiatives. We engage with suppliers to help them improve. More than 60% of all suppliers of palm-based ingredients reassessed through EcoVadis in FY22 improved their EcoVadis scorecard performance from their previous assessment.

The average SPI score of second tier suppliers engaged by ELC in FY22 to participate in the SPI improved by more than 15% compared to the average in the previous year.

**Does this engagement contribute to achieving a reported target?**

Yes, please specify target ID(s) (target 4)

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F6.10

**(F6.10) Do you engage in landscape (including jurisdictional) approaches to progress shared sustainable land use goals?**

	Do you engage in landscape/jurisdictional approaches?	Primary reason for not engaging in landscape and/or jurisdictional approaches	Explain why your organization does not engage in landscape/jurisdictional approaches, and describe plans to engage in the future
Row 1	Yes, we engage in landscape/jurisdictional approaches	<Not Applicable>	<Not Applicable>

F6.10a

**(F6.10a) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.**

	Criteria for prioritizing landscapes/jurisdictions for engagement	Explain your process for prioritizing landscapes/jurisdictions for engagement
Row 1	Opportunity to increase market access for smallholders and local communities Opportunity to protect and restore natural ecosystems Risk of deforestation, forests/land degradation, or conversion of other natural ecosystems Supply of commodities strategically important	ELC works across several landscapes or jurisdictions to engage collaboratively with local communities, with the goal of enabling sustainable approaches to land use. This includes several projects designed to protect endangered carbon sinks and support the implementation of sustainable farming practices in ELC's sourcing regions, and in alignment with voluntary industry engagement activities.  In identifying focus landscapes/jurisdictions for engagement, ELC seeks to maximize impact whilst managing risk of environmental degradation. In supported programs, ELC particularly aims to present enhanced opportunities for smallholder inclusion and enable the restoration of natural ecosystems through supported programs.

F6.10b

**(F6.10b) Provide details of your engagement with landscape/jurisdictional approaches to sustainable land use during the reporting year.**

**Landscape/Jurisdiction ID**

LJ1

**Country/Area**

Ecuador

**Name of landscape or jurisdiction area**

Huamboya-Pastaza Landscape

**Types of partners engaged in the initiative design and implementation**

Local forest/rural associations  
 Indigenous peoples  
 Local communities  
 Local producers/smallholder

**Type of engagement**

Funder: Provides full or partial financial support

**Goals supported by engagement**

Reduced emissions from land use change and/or agricultural production  
 Avoided deforestation/conversion of natural ecosystems and/or decreased degradation rate  
 Improved business models that enable inclusion (including smallholders)  
 Improved capacity for community engagement in multi-stakeholder processes  
 Implementation of livelihood activities/practices that reduce pressure on forests  
 Increased adoption of sustainable production practices (e.g., input use efficiency and water management practices)

**Company actions supporting approach**

Collaborate to maintain representation from all relevant stakeholders within governance structure of initiative  
 Engage stakeholders on importance of conservation, restoration and/or rehabilitation  
 Provide financial support to fund FPIC processes and/or activities to halt systemic violations of workers' rights

**Description of engagement**

ELCCF is funding the conservation of 150,000 ha in Huamboya-Pastaza landscape in Ecuador. The area plays a significant role in regulating the water flows from the Andes into the Pastaza River. In this landscape, the proposed conservation corridor will connect the core habitats of the Sangay National Park with Indigenous communities' forests, including territories of Indigenous Peoples.

Efforts include extending Conservation International's Amazonia Indigenous Women's Fellows Program (two fellows will be supported during year 2).  
 a. Provide mentorship and technical support to the fellows in Ecuador in the first, second and third cohorts of the Amazonia Indigenous Women's Fellowship Program.  
 b. Select and grant two (2) new fellowships for indigenous women leaders in the Amazon, including territorial and ethnic equity criteria to include representatives of indigenous nationalities that have not yet been included in the program thus far.  
 c. Establish a Network of Amazon Indigenous Women Leaders in Ecuador to foment lasting connections among Indigenous Women Fellows in Ecuador. The Network seeks to establish synergies, partnerships, and mutual collaboration to decreasing the gender gap in the Ecuadorean Amazon.

**Engagement start year**

2021

**Engagement end year**

Please specify (2024)

**Estimated investment over the project period (currency)**

1500000

**Is a collective monitoring framework used to measure progress?**

Yes, progress is collectively monitored using a shared external framework, please specify (Conservation International)

**State the achievements of your engagement so far, and how progress is monitored**

Progress on Conservation International's Amazon Indigenous Women's Fellowship Program is monitored through several KPIs including the number of:

- Women supported
- communities benefitted
- people directly benefitted
- hectares conserved
- tons of irrecoverable carbon conserved

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**Landscape/Jurisdiction ID**

LJ2

**Country/Area**

Indonesia

**Name of landscape or jurisdiction area**

Central Kalimantan

**Types of partners engaged in the initiative design and implementation**

International civil society organization(s)

Local communities

Local producers/smallholder

**Type of engagement**

Funder: Provides full or partial financial support

**Goals supported by engagement**

Forest fires monitored and prevented

Natural ecosystems conserved and/or restored

Governance forums that represent all relevant stakeholders in place and maintained

Implementation of livelihood activities/practices that reduce pressure on forests

Increased adoption of sustainable production practices (e.g., input use efficiency and water management practices)

Increased uptake of certification

Uptake of regenerative agriculture (e.g., agroforestry) practices

**Company actions supporting approach**

Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative

Help establish a transparent governance platform responsible for managing the initiative and its activities with clear roles, responsibilities and balanced decision-making

Collaborate to maintain representation from all relevant stakeholders within governance structure of initiative

Identify and act on opportunities for pre-competitive collaboration with your sector

Engage stakeholders on importance of conservation, restoration and/or rehabilitation

Support communities and smallholders in gaining access to incentives (e.g. support achieving certification, group formation, getting land title, packaging access to loans, preferential sourcing etc.)

Capacity building for farmers, smallholders and local communities to implement good agricultural practices (including improved efficiency, crop diversification and adoption of certification)

**Description of engagement**

ELC is collaborating with other stakeholders in the cosmetics, health and personal care industries through the Action for Sustainable Derivatives initiative. As such, funding from ELCCF and other donors allowed Kaleka (formerly known as Inobu) to expand the Mosaik Initiative.

This initiative is a sustainable land use project focused on community-based restoration, fire-free agricultural livelihood development, and Roundtable on Sustainable Palm Oil (RSPO) certification of smallholder farmers in Central Kalimantan, Indonesia. In addition to helping to protect nature, the program fosters practices that recognize the economic challenges Indigenous smallholder farmers and their communities face and creates practical solutions that protect their rights while also creating opportunities to thrive economically, and sustainably manage the land.

**Engagement start year**

2020

**Engagement end year**

Please specify (2022)

**Estimated investment over the project period (currency)****Is a collective monitoring framework used to measure progress?**

Yes, progress is collectively monitored using a shared external framework, please specify (RSPO Jurisdictional Certification Indicators)

**State the achievements of your engagement so far, and how progress is monitored**

The Mosaik Initiative is currently using the RSPO Jurisdictional Certification Indicators as its external monitoring framework. Kaleka is also collecting data for the Terpercaya/SJI framework, which enables the organization to compare the districts they are working in with their peers in the country. Progress towards achieving the goals of the project is monitored through ASD. Reporting on KPIs is being monitored by the financial contributors. In addition, progress on KPIs is presented and discussed withing ASD, involving financial contributors and other ASD members. So far, achievements have included:

1. Thanks to the ASD contribution, 500 ha of forest in have been conserved through a social forestry scheme and 90 ha of land have been replanted.
2. Methods for fire-free agricultural practices have been established in one village. Activities included a baseline study and farmer trainings on no burning, organic farming, natural pesticides in food and livelihood diversification activities, the collection of soil samples and the provision of agricultural inputs.
3. Working towards RSPO certification – Established an internal control system in 4 villages, reaching more than 500 farmers. These farmers were trained on the RSPO principles & criteria. The training included contents on good agricultural practices, integrated pest management, high conservation value areas, pesticide & PPE usage,

occupational health and safety, and fair & non-discrimination employment practices. More than 900 parcels of land owned by more than 500 farmers were mapped in 4 villages.

## F6.10c

**(F6.10c) For each of your disclosed commodities, provide details of the production/consumption volumes from each of the jurisdictions/landscapes you engage in.**

Indicate landscape/jurisdiction ID	Does any of your commodity production/consumption volume originate from this landscape/jurisdiction, and are you able/willing to disclose information on this volume?	Commodity	% of total production/consumption volume from this landscape/jurisdiction
LJ1	Yes, we do produce/consume from this landscape/jurisdiction, and we are able/willing to disclose volume data	Palm oil	0.05
LJ2	Yes, we do produce/consume from this landscape/jurisdiction, and we are able/willing to disclose volume data	Palm oil	8.6

## F6.11

**(F6.11) Do you participate in any other 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

Involved in multi-partnership or stakeholder initiatives

### Country/Area

Not applicable

### Subnational area

Not applicable

### Initiatives

Global Reporting Initiative (GRI) Community Member

### Please explain

Global reporting Initiative (GRI): We engage 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 and demonstrate leadership, collaborate with peers, and form a global community of practice and knowledge sharing.

This engagement fits into our wider environment strategy because the company continually strives to enhance the depth and transparency of its citizenship and sustainability disclosure to better meet the expectations of key stakeholders, including consumers, investors, and employees.

### Forest risk commodity

Timber products

### Do you participate in activities/initiatives?

Yes

### Activities

Involved in industry platforms

### Country/Area

Not applicable

### Subnational area

Not applicable

### Initiatives

<Not Applicable>

### Please explain

Ellen MacArthur Foundation (EMF): Since FY19, we have been a member of the Ellen MacArthur Foundation whose mission is to bring together leaders and innovators in business, governments, and academia to drive society's transition to a circular economy. Our membership earns ELC employees access to the EMF Platform which consists of an array of professional learning resources and tools. Employees can refer to a portfolio of recommended online and residential courses on circular economy delivered by either EMF or universities and external learning providers. Additionally, our membership allows us to join working groups such as those that address Nature Positive and Regenerative Forestry aiming to promote regenerative nature.

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 2022, we required packaging developers to participate in a minimum of six hours of training and embedded this requirement as part of their personal employee performance goals. Additionally, through the Sustainable Packaging Coalition (SPC), more than 230 employees completed virtual training programs via access to the organization's digital learning hub.

This engagement fits into our wider environmental strategy as it reinforces our core values of ensuring quality, innovation and sustainability.

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**Forest risk commodity**

Palm oil

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

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Country/Area**

Not applicable

**Subnational area**

Not applicable

**Initiatives**

Roundtable on Sustainable Palm Oil (RSPO)

**Please explain**

As members of RSPO, 100% of our palm-based ingredients are RSPO Certified through a combination of supply chain certification methods (physical supply chains such as Mass Balance and Identify Preserved, as well as Book & Claim credits). RSPO Book & Claim credits are purchased through RSPO PalmTrace, a certificate trading program, which contributes toward more sustainable palm oil products. We have committed that at least 95% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025 (the target was raised in FY2022 after the previous target of 90% had been achieved). 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/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 have been a member of the RSPO since 2014. RSPO is the leading convening body that develops and sets the standards for sustainable palm oil and enables palm oil certification. In FY20, we signed the RSPO's North American Sustainable Palm Oil Network (NASPON) Charter Agreement, signaling our continued commitment to using certified sustainable palm oil/ kernel oil.

These engagements fit into our wider environmental strategy since they contribute to reducing the environmental impacts associated with agricultural production, notably in terms of the risk of deforestation and conversion of natural ecosystems. This is reflected in our Palm Action Plan, which is referring to the principles outlined in our Supplier Code of Conduct and NDPE policy.

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**Forest risk commodity**

Palm oil

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

Yes

**Activities**

Engaging with communities

**Country/Area**

Indonesia

**Subnational area**

Please specify (Central Kalimantan)

**Initiatives**

<Not Applicable>

**Please explain**

In FY22, the Estée Lauder Charitable Foundation (ELCCF) contributed to the ASD Impact Fund. Funding from ELCCF and other donors allowed Kaleka (formerly known as Inobu) to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management/ restoration in Kalimantan. The project supports the operations of a jurisdictional platform, a multistakeholder forum in each of the local districts which brings together agencies from the local government, agribusiness and processors, and farmers to define shared goals and implementation strategies. By FY22, this initiative has reached more than 580 individuals through farmer trainings on no burning, organic farming, natural pesticides, RSPO certifications and the planting of seedlings of various species fulfilling ecological, economic and socio-cultural functions.

This engagement aligns with our wider no deforestation and no conversion commitments. It also is an expression of our intention to support smallholder farmers in building their capacity and improving their livelihoods with the goal of increasing their participation in the palm oil supply chain

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**Forest risk commodity**

Palm oil

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

Yes

**Activities**

Involved in industry platforms

**Country/Area**

Not applicable

**Subnational area**

Not applicable

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**Initiatives**

<Not Applicable>

**Please explain**

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

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**Forest risk commodity**

Palm oil

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

Yes

**Activities**

Engaging with communities

**Country/Area**

Indonesia

**Subnational area**

Please specify (Lampung)

**Initiatives**

<Not Applicable>

**Please explain**

We aim to develop long-lasting and mutually beneficial relationships with suppliers who demonstrate the same commitment to operating responsibly and ethically across all facets of business. In 2018, we started The Lampung Project, a smallholder initiative focused on promoting sustainable palm oil production, led by Solidaridad. A key component of the project is to train farmers in the Lampung Province of Indonesia in improved agricultural and management practices. The target of reaching 1,000 smallholder farmers by the end of 2022 has been reached with 1003 smallholders having participated in Farmer Field School trainings. This engagement aligns with our wider no deforestation and no conversion commitments and commitment to supporting smallholder farmers by helping to build their capacity and improve their livelihoods with the goal of increasing their participation in the palm oil supply chain.

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**F6.12****(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and long-term protection?**

Yes

**F6.12a**

**(F6.12a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Forest ecosystem restoration

**Expected benefits of project**

Improvement to sustainability of production practices  
Restoration of natural ecosystem(s)

**Is this project originating any carbon credits?**

No

**Description of project**

In FY22, the Estée Lauder Charitable Foundation (ELCCF) contributed to the ASD Impact Fund. Funding from ELCCF and other donors allowed Kaleka (formerly known as Inobu) to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management/ restoration in Kalimantan. The initiative focuses on restoring degraded peatland, promoting fire-free agriculture, and facilitating smallholder certification. Ecosystem restoration can improve wildlife habitats, water regulation, soil protection and carbon sequestration, whilst sustainable agricultural practices can improve resilience to climate change impacts.

This project was selected as it aligns with our wider no deforestation and no conversion commitments including our commitment to supporting smallholder farmers by helping to build their capacity and improve their livelihoods with the goal of increasing their participation in the palm oil supply chain.

**Where is the project taking place in relation to your value chain?**

Project based in sourcing area(s)

**Start year**

2020

**Target year**

2023

**Project area to date (Hectares)**

590

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

590

**Country/Area**

Indonesia

**Latitude**

-2.25

**Longitude**

112

**Monitoring frequency**

Six-monthly or more frequently

**Total investment over the project period (currency)**

**For which of your expected benefits are you monitoring progress?**

Improvement to sustainability of production practice  
Restoration of natural ecosystem(s)  
Other, please specify (number of small holder palm oil farmers engaged)

**Please explain**

In FY22, this initiative has reached more than 580 individuals with farmer trainings on no burning, organic farming, natural pesticides, RSPO certification, and the planting of seedlings of various species fulfilling ecological, economic, and socio-cultural functions.

Outcomes being measured include: the conservation of natural forests and community-based forestry; landscape restoration; the uptake of certification by farmers; and the adoption of fire-free agriculture. For each of these outcomes, KPIs are being used to track progress, such as:

- The number of hectares of forest protected
- The number of hectares of land in restoration
- The number of oil palm farmers certified
- The number of villages supported to adopt fire-free agricultural practices

Since the initiative's inception, 500 hectares of forest have been protected through a social forestry scheme and trees have been planted to restore landscapes on 90 hectares of land. The number of hectares conserved is calculated based on formal documents submitted to the Indonesian Ministry of Environment & Forestry, which issues a legal document based on the submission. Supported by the project, the village also issues a regulation to stipulate the management of the areas under community forestry.

More than 600 farmers have been involved in the RSPO certification process and one village has received equipment, training, and support in developing fire-free farming plots. For example, 90 hectares of land have been replanted with trees.

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## F7. Verification

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### F7.1

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

Yes

**F7.1a**

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**(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

**Disclosure module**

F6. Implementation

**Data points verified**

% Total palm-based ingredients sourced through RSPO certified-sustainable physical supply chains

**Verification standard**

RSPO P&C

**Please explain**

We have our palm oil sourcing quantities per calendar year verified annually by PwC. Verified data points include the total amount of palm oil sourced (calculated based on palm-based components in each raw material directly received by ELC) and the share of palm oil certified by RSPO, by certification type.

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**F8. Barriers and challenges**

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**F8.1**

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

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Primary barrier/challenge type**

Value 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: ELC 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.

PKO: Palm Kernel Oil

CSPKO: Certified Sustainable Palm Kernel Oil

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**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited availability of certified materials

**Comment**

We are working to increase procurement of certified sustainable PKO-derived ingredients through physical supply chains in a market environment that offers limited availability of RSPO certified PKO and PKO-derived ingredients.

Resolution/Mitigation Efforts: The Estée Lauder Companies is continuing to search for greater volumes of Mass Balance products as the oleo-chemical industry evolves to meet growing demand for CSPO/PKO materials. We are collaborating with stakeholder groups and other companies to identify mechanisms to improve traceability in the PKO and PKO derivatives supply chain with a goal to increase our procurement of CSPKO ingredients and collectively engage key actors along the supply chain. We are members of 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.

CSPO: Certified Sustainable Palm Oil

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**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Primary barrier/challenge type**

Limited value chain engagement

**Comment**

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

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**F8.2**

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

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Improvement in data collection and quality

**Comment**

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 and external 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.

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**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

Our ambition is to have 95% 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. In CY2022, ELC achieved 91% of palm-based ingredients certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models). This excludes palm-based ingredients not directly procured by ELC, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems. One strategy that we deploy to achieve this goal is engagement with the small number of suppliers not yet providing ELC with RSPO certified palm oil derivatives. In CY22, procurement and R&D teams met with over 10 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

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**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Main measure**

Investment in monitoring tools and traceability systems

**Comment**

The Estée Lauder Companies is collaborating with stakeholder groups and other companies to identify mechanisms to improve traceability in the palm oil and palm oil derivatives supply chain with a goal to increase our procurement of certified sustainable palm ingredients and collectively engage key actors along the supply chain.

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

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**Forest risk commodity**

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.

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**F17 Signoff**

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**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.**

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**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 understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please confirm below

I have read and accept the applicable Terms