

F0. Introduction

F0.1

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

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

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

This report covers ELC's Fiscal Year 2021 (FY21) – July 1, 2020 through June 30, 2021. Palm oil data is for calendar year 2021 (CY21) – January 1, 2021 through December 31, 2021.

F0.2

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

	Start Date	End Date
Reporting year	July 1 2020	June 30 2021

F0.3

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

USD

F0.4

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

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Manufacturing	<Not Applicable>
Palm oil	Disclosing	Manufacturing	<Not Applicable>
Cattle products	Not disclosing	Manufacturing	A very limited number of our brands use genuine leather on their packaging. Leather made up less than 0.01% of our packaging volumes in FY21.
Soy	Not disclosing	Manufacturing	We use some soy products in our manufacturing processes.
Other - Rubber	Not disclosing	Manufacturing	We use rubber in a very small proportion of our packaging.
Other - Cocoa	Not disclosing	Manufacturing	We use cocoa products in our manufacturing processes.
Other - Coffee	Not disclosing	Manufacturing	We use coffee products in our manufacturing processes.

F0.5

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

Yes

F0.5a

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

Value chain stage	Exclusion	Description of exclusion	Potential for forests-related risk	Please explain
Supply chain	Other, please specify (Products manufactured by Third-Party Manufacturers that contain palm-based ingredients not directly procured by ELC and certain acquired brands not yet fully integrated into the relevant ELC systems)	Products manufactured by Third-Party Manufacturers (TPMs) that contain palm-based ingredients not directly procured by The Estée Lauder Companies and certain acquired brands not yet fully integrated into the relevant ELC systems.	Potential for forests-related risk, evaluated, but not disclosing to CDP	Our disclosure excludes palm-based ingredients not directly procured by The Estée Lauder Companies, such as those procured by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems. 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. Products manufactured by TPMs that contain palm-based ingredients and certain acquired brands not yet fully integrated into the relevant ELC systems make up a small portion of our overall palm volumes. 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. These brands will be included in the future. While we have direct control over our own purchase of palm, we are also able to influence our larger network of suppliers and partners. In early CY20, we informed our TPMs that they should use palm ingredients that are from an RSPO physically certified sustainable source (Mass Balanced, Segregated or Identity Preserved) to further advance our commitment to ensuring sustainable palm oil supply chains. We will be working with our third-party manufacturers to support the increase of RSPO certified palm ingredients in the products made on our behalf.
Supply chain	Other, please specify (Timber-based packaging materials used by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems)	Timber-based packaging materials used by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant ELC systems.	Potential for forests-related risk, evaluated, but not disclosing to CDP	Our disclosure excludes Timber-based packaging materials used by Third-Party Manufacturers (TPMs) and certain acquired brands not yet fully integrated into the relevant Estee Lauder Companies' systems. Timber-based packaging materials used by Third-Party Manufacturers (TPMs) and acquired brands not yet integrated into the relevant ELC systems make up a small portion of our overall timber-based packaging materials volumes. 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. These brands will be included in the future. 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 sourced paper products. We will continue to work with our third-party manufacturers in this effort.

F0.6

**(F0.6) 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, an ISIN code	US5184391044

F1. Current state

F1.1

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

## Timber products

### Activity

Buying manufactured products

### Form of commodity

Secondary packaging

Tertiary packaging

### Source

Contracted suppliers (manufacturers)

### Country/Area of origin

Australia

Austria

Belarus

Brazil

Canada

Chile

Croatia

Czechia

Denmark

Estonia

Finland

France

Germany

Ireland

Italy

Latvia

Lithuania

Luxembourg

Netherlands

New Zealand

Norway

Poland

Portugal

Republic of Korea

Russian Federation

Slovakia

Slovenia

South Africa

Spain

Sweden

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

**F1.5**

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

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

**F1.5a**

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

22659

**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**

58

**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 FY2021, 89% 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 58% in FY21, 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.

**Forest risk commodity**

Palm oil

**Data type**

Consumption data

**Commodity production/ consumption volume**

5117.5

**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**

92

**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 covered through RSPO credits. RSPO's Principles and Criteria requires that suppliers are aligned to sustainable palm sourcing principles, including but not limited to No deforestation and No conversion. In Calendar year 2021, The Estée Lauder Companies achieved 92% 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.

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

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Pará)

**% of total production/consumption volume**

0.07

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Cambodia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Preah Sihanouk)

**% of total production/consumption volume**

0.07

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Cameroon

**State or equivalent jurisdiction**

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

**% of total production/consumption volume**

0.27

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Ecuador

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Los Rio, Manabi, Esmeraldas, Pueblo Viejo, Majua, Quininde, Santo Domingo De Los Tsáchilas )

**% of total production/consumption volume**

0.03

**Please explain**

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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**

0.01

**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 the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes. The percentage for Gabon has been rounded up to 0.01% for disclosure. The actual percentage sourced from this region is 0.005%.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Guatemala

**State or equivalent jurisdiction**

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

**% of total production/consumption volume**

0.06

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across 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 (Colon, Atlantida, Yoro, Cortes)

**% of total production/consumption volume**

0.05

**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)

**% 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 the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across 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 (Jambi, Central Kalimantan, Riau, W Kalimantan, Lampung, S Kalimantan, E Kalimantan, W, S & N Sumatra, Aceh, Bengkulu, Bangka Belitung, Banten, N Kalimantan, Central Sulawesi, North Sulawesi, SE Sulawesi, W Sulawesi, W Java, Papua, W Papua, Gorontalo)

**% of total production/consumption volume**

50.26

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Liberia

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Old Sodokeh, Grand Bassa, Kulu Shaw Boe)

**% 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, Negari Sembilan, Pahang, Penang, Perak, Perlis, Pulau Pinang, Selangor, Terengganu, Sabah, Sarawak)

**% of total production/consumption volume**

28.26

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Mexico

**State or equivalent jurisdiction**

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

**% 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 the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes. The percentage for Mexico has been rounded up to 0.01% for disclosure. The actual percentage sourced from this region is 0.008%.

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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**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and

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oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes. The percentage for Nicaragua has been rounded up to 0.01% for disclosure. The actual percentage sourced from this region is 0.005%.

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Nigeria

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Edo, Ubima, Mbarakom)

**% 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, New Mexico)

**% 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 (West New Britain, East New Britain, Morobe, Oro, Milne Bay, New Ireland)

**% of total production/consumption volume**

0.12

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

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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, Mimaropa)

**% of total production/consumption volume**

0.01

**Please explain**

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**Forest risk commodity**

Palm oil

**Country/Area of origin**

Thailand

**State or equivalent jurisdiction**

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

**% of total production/consumption volume**

0.49

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

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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**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes. The percentage for Venezuela has been rounded up to 0.01% for disclosure. The actual percentage sourced from this region is 0.002%.

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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**

0.08

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes.

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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**

20

**Please explain**

ELC has joined the Action for Sustainable Derivatives (ASD) a collaborative working group, which aims to bring together peers in cosmetics, personal care, and oleochemical suppliers to collectively address the issues within the complex palm oil derivatives supply chain. Through our partnership with ASD, we participate in an annual traceability exercise to identify supply chain actors to the plantation and map risks at a province and mill level for NDPE compliance. For CY21 we achieved 82% traceable to the mill across total palm volumes. For the remaining 18% which is traceable to refinery or first importer we assure volumes are not associated with

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deforestation by obtaining RSPO certification. In FY21, 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**

62

**Please explain**

62% 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, Canada, Chile, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Russia, Slovakia, Slovenia, South Africa, Spain, Sweden, UK, Ukraine, United States and 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 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 FY2021, 89% 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 58% in FY21

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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**

35

**Please explain**

ELC is currently implementing a Due Diligence System (DDS) procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. In addition to traceability data we are collecting recyclability data. We've determined 10% of unknown origin comes from recycled timber based materials. 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 FY2021, 89% 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 58% in FY21.

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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**

0.3

**Please explain**

ELC is currently implementing a Due Diligence System (DDS) procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. In addition to traceability data we are collecting recyclability data. We've determined 10% of unknown origin comes from recycled timber based materials. 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. Materials coming from Forest Risk Countries are FSC Certified. In FY2021, 89% 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 58% in FY21.

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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**

0.01

**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 systems to house this data. In addition to traceability data we are collecting recyclability data. We've determined 10% of unknown origin comes from recycled timber based materials. 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. Materials coming from Forest Risk Countries are FSC Certified. In FY2021, 89% 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 as increased from 29% in FY20 to 58% in FY21.

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**Forest risk commodity**

Timber products

**Country/Area of origin**

Brazil

**State or equivalent jurisdiction**

Specify state/equivalent jurisdiction (Rio de Janeiro, Minas Gerais, Bahia, Mato Grosso, Espirito Santo)

**% of total production/consumption volume**

2.5

**Please explain**

ELC is currently implementing a Due Diligence System (DDS) procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. In addition to traceability data we are collecting recyclability data. We've determined 10% of unknown origin comes from recycled timber based materials. 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. Materials coming from Forest Risk Countries are FSC Certified. In FY2021, 89% 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 58% in FY21.

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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**

0.2

**Please explain**

ELC is currently implementing a Due Diligence System (DDS) procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. In addition to traceability data we are collecting recyclability data. We've determined 10% of unknown origin comes from recycled timber based materials. 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. Materials coming from Forest Risk Countries are FSC Certified. In FY2021, 89% 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 58% in FY21.

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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**

0.3

**Please explain**

ELC is currently implementing a Due Diligence System (DDS) procedure which includes collecting traceability information on the origin of timber-based products, among other information. This is an ongoing effort that will ensure traceability information will be available on a regular basis. We are currently exploring internal systems to house this data. In addition to traceability data we are collecting recyclability data. We've determined 10% of unknown origin comes from recycled timber based materials. 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. Materials coming from Forest Risk Countries are FSC Certified. In FY2021, 89% 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 58% in FY21.

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F1.5e

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

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

No

**Data type**

<Not Applicable>

**Volume produced/consumed**

<Not Applicable>

**Metric**

<Not Applicable>

**Country/Area of origin**

<Not Applicable>

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

<Not Applicable>

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

<Not Applicable>

**Comment**

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**F1.6**

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

No

**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

External consultants

Preferred by Nature Sourcing Hub

**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**

Forests are key to maintain biodiversity, ecosystems, sequester carbon, and drive sustainable economic growth. Ambitious action on deforestation is needed to achieve global climate goals and curb biodiversity loss. ELC endeavors to source our timber-based materials responsibly with respect for local communities and the environment. Some of the most significant issues that ELC considers for timber are: low availability/quality of forest commodities and loss of markets. ELC requires access to these commodities to produce our products. Furthermore, ELC is committed to providing our customers with safe, high quality, prestige beauty products. In addition, we need access to sustainable timber products to maintain our FSC commitments. Another issue is regulation - ELC is subject to the laws which apply to all similar MNCs and strives to adopt an exemplary attitude. These issues are assessed by ELC including Procurement, Packaging and Global Corporate Citizenship and Sustainability using internal company methods on an ongoing basis, with support from external consultants where required. This is an integrated process which helps to ensure that risks are reviewed and addressed appropriately. We have chosen these methods to ensure effective oversight on risks. If the risk is considered significant to the business, it is elevated to our ERM team. In addition, we worked with Preferred by Nature (previously NEPCo), 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 value chains 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. ELC also investigates supplier sustainability risks through EcoVadis ratings, which assess environmental impacts. 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 multiple forest issues, giving us a holistic understanding of a supplier performance.

## Palm oil

### Value chain stage

Supply chain

### Coverage

Full

### Risk assessment procedure

Assessed in an environmental risk assessment

### Frequency of assessment

Annually

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

> 6 years

### Tools and methods used

Internal company methods

External consultants

Global Forest Watch Pro

Sustainability Policy Transparency Toolkit (SPOTT)

National specific tools and databases

### 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

Increasing demand for palm oil has had environmental and social impacts, including deforestation and biodiversity loss. ELC endeavors to source our palm-based ingredients responsibly and sustainably with respect for local communities and the environment. Some of the most significant issues that ELC considers for palm are: the availability of sustainably sourced palm, tariffs or price increases and loss of markets. ELC requires access to these commodities to produce our products and maintain our RSPO commitments. Another key issue is regulation - ELC is subject to the laws which apply to all similar MNCs. These issues are assessed by ELC including Procurement, Packaging and Global Corporate Citizenship and Sustainability using internal company methods on an ongoing basis, with support from external consultants where required. This is an integrated process which helps to ensure that risks are reviewed and addressed. We have chosen these methods to ensure effective oversight on risks. If the risk is considered significant to the business, it is elevated to our ERM team. We assess Palm risk by undertaking an annual traceability exercise 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. We investigate supplier sustainability risks through EcoVadis and in 2021, 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 suppliers were evaluated on: Commitments; Process & Action Plan, Achievements & Compliance. ELC engaged each participating supplier to share results and encourage continuous improvement. Finally, ELC has also engaged with external consultants to complete a risk assessment for palm oil to understand the climate risks in the next ten years. 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 future strategy.

## 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 82% of our palm derivative volumes to mill, and 30% 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)

## 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?

In line with our Enterprise Risk Management framework, ELC defines financial impact on a 5-point scale ranging from Very Low to Very High. A residual risk is considered substantive from a financial point of view when its impact exceeds 1% of annual net sales (ELC reported total net sales of \$ 16,215 million in FY21 as per 10K). From a strategic standpoint, we consider a risk to be substantive when the reputation of ELC or one of our brands has the potential to be impacted in a meaningful way. (e.g., loss of consumer/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 national legislation could have a substantial impact on procurement costs of timber-based packaging materials if suppliers face increased compliance costs from these regulations which could then 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. Therefore, risks related to the supply and price of timber are of significant importance to ELC. 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, could have a substantial impact on our procurement of timber-based packaging.

### Timeframe

Current - up to 1 year

### Magnitude of potential impact

Medium

### Likelihood

About as likely as not

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

Yes, an estimated range

### Potential financial impact (currency)

<Not Applicable>

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

4000000

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

20000000

### Explanation of financial

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 of X-Y%. We have calculated this percentage range based on historical increases in price related to new legislation. We've arrived at the minimum potential impact figure (\$4M) by multiplying the X% estimated increase in procurement costs by the estimated share of materials potentially affected by new legislation, to arrive at \$4M. The maximum impact figure (\$20M) was calculated by multiplying the Y% estimated increase in procurement costs by the estimated share of materials potentially 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 are expected to materialize after the introduction 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 audits 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 FY21, 89% of our forest-based fiber cartons and 58% 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 FY21 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 will 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 changes in rainfall, increased water stress, flooding caused by both sea level rise and heavy precipitation, as well as increases in the number of powerful storms and other extreme natural events could impact the availability of palm oil in some of our sourcing regions. Research has indicated that climate change may lead to an increase in dry periods and to sea level rise in current palm oil production regions such as Malaysia. These events have the potential to reduce available supply and drive up the prices of palm. Although ELC is a comparatively low-volume user of palm oil, palm fruit oil, palm kernel oil (PKO) and PKO derivatives, products containing palm oil-derived ingredients make up 81-90% of our revenue and we use these in the formulation of many of our products. Therefore, risks related to the supply and price of palm are of significant importance to ELC. In particular, we have identified that Malaysia is vulnerable to the projected impacts of climate change. For instance, the Muar River Basin River basin which flows through the states of Johor, Negeri Sembilan and Pahang (regions in our palm footprint) is subject to frequent flood events. ELC's CY2020 and CY2021 palm oil traceability study found that a portion of our palm-based ingredients came from this river basin with 28.26% of our palm supply coming from Malaysia as a whole. We anticipate that climate change has the potential to impact global palm oil supply chains in a similar manner.

**Timeframe**

&gt;6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

More likely than not

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

Yes, an estimated range

**Potential financial impact (currency)**

&lt;Not Applicable&gt;

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

2000000

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

4000000

**Explanation of financial**

Financial impact relates to increased production cost for palm oil and derivatives. Using the International Energy Agency modelling of projected crude oil import prices over the next decade in a beyond 20C 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. We have assumed a range to account of the fluctuations in the palm oil market 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. If ELC do not work to mitigate this risk, these impacts are expected to materialize within the next 6 years.

**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 FY21, 100% of our palm-based derivatives were RSPO certified, and ELC intends to maintain this. In addition, in FY21, the ELCCF initiated a grant to 'Action for Sustainable Derivatives' to launch a pooled-funding model to generate benefits on the ground in a priority production landscape. The grant is being used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management/ restoration in Kalimantan, led by NGO partner Institut Penelitian Inovasi Bumi. The initiative focuses on restoring degraded peatland; fire free agriculture; and small holder 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 initiative has so far supported 589 individuals through training on no burning, organic farming, natural pesticides and RSPO certifications. This engagement will continue out to 2023.

**Cost of response**

1000000

**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 FY21 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) for a total of \$1M.

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

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

**F3.2a**

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

**Forest risk commodity**

Timber products

**Type of opportunity**

Products & services

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

Other parts of the value chain

**Primary forests-related opportunity**

Increased brand value

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

Consumers and employees are increasingly drawn to purpose-driven brands. The 2021 Global Sustainability Study conducted by global strategy and pricing Simon-Kucher & Partners found that across over 15 countries surveyed on average 25% of consumers indicate that sustainability is 'Extremely Important' as a purchase criterion. This suggests that companies actively demonstrating non-deforestation commitments/progress may have competitive advantage over others. This study included markets where ELC operates such as China and Japan, 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 FY21 the Asia/Pacific market represented almost 34% of ELC's revenue, illustrating the importance of some of these markets. In keeping with our values, ELC endeavours to source ingredients/materials responsibly with attention to their impact on people and the planet. This includes our non-deforestation commitments. 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 FY21, 89% of our forest-based fiber cartons were FSC certified. ELC intends to continue enhancing this. For example, in FY21 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.

**Estimated timeframe for realization**

4-6 years

**Magnitude of potential impact**

Low

**Likelihood**

About as likely as not

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

Yes, a single figure estimate

**Potential financial impact figure (currency)**

156000000

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

<Not Applicable>

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

<Not Applicable>

**Explanation of financial impact figure**

We believe sustainability and, in this case, responsible sourcing of timber-based products, is increasingly important to our consumers ultimately influencing purchasing behavior. Our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing responsibly sourced timber-based products provides value to our selected brands. We've calculated this \$156M opportunity to be the projected revenue of 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), multiplied by the 25 percent of consumers on average that say sustainability is 'Extremely Important' as a purchase criterion". (Note: Using 25% as an indicator based on global data cited in The 2021 Global Sustainability Study conducted by Simon-Kucher & Partners). The projected revenue of the of products associated with FSC certified timber-based materials of selected brands was calculated by starting with the material codes for FSC certified timber-based packaging materials used by the selected brands, and reviewing all of the finished goods that would be impacted if those materials were not available.

**Forest risk commodity**

Palm oil

**Type of opportunity**

Products & services

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

Supply chain

**Primary forests-related opportunity**

Increased brand value

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

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 81-90% of our revenue. Consumers/employees are increasingly drawn to sustainable brands. The 2021 Global Sustainability Study conducted by global strategy and pricing Simon-Kucher & Partners found that across over 15 countries surveyed on average 25% of consumers indicate that sustainability is 'Extremely Important' as a purchase criterion. This suggests that companies actively demonstrating non-deforestation commitments/progress may have competitive advantage over others. This study included markets where ELC operates such as China and Japan, therefore suggesting a clear strategic opportunity for ELC to enhance our commercial brand value by actively demonstrating our non-deforestation across these locations. In FY21 the Asia/Pacific market represented almost 34% of ELC's revenue, illustrating the importance of some of these markets. Aligning with our values, ELC endeavors to source ingredients/materials responsibly with attention to impacts on people/planet. This includes our non-deforestation commitments. ELC believes this presents an opportunity to enhance our brand value by attracting customers who value sustainability. Our strategy to realize this includes our target to purchase 100% RSPO-certified palm-based derivatives by 2025 and 90%+ 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. In CY21, we focused on engaging with the few suppliers that are not yet providing ELC with RSPO certified palm derivatives. Procurement and R&D teams met with over 15 suppliers to align on timebound action plans to transition to certified volumes and maintain supplier accountability. 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 FY21, 100% of our purchased palm-based ingredients were certified to RSPO standards for sustainable production. ELC intends to maintain this.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-low

**Likelihood**

Likely

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

Yes, a single figure estimate

**Potential financial impact figure (currency)**

279000000

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

<Not Applicable>

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

<Not Applicable>

**Explanation of financial impact figure**

We believe sustainability and, in this case, sustainable palm-based products, is increasingly important to our consumers ultimately influencing purchasing behavior. Our commitments to no deforestation, no peat, no exploitation (NDPE) and to purchasing sustainable timber-based products provides value to our purpose driven brands. We've calculated this \$279M opportunity to be the projected revenue of palm containing products of selected brands (selected because they are more likely to be impacted by consumer preferences for products with sustainability attributes), multiplied by the 25 percent of consumers on average that say sustainability is 'Extremely Important' as a purchase criterion". (Note: Using 25% as an indicator based on global data cited in The 2021 Global Sustainability Study conducted by Simon-Kucher & Partners). The projected revenue of the palm containing products of selected brands was calculated by starting with the material codes for palm-based ingredients used by the selected brands and reviewing all of the finished goods that would be impacted if those materials were not available.

**F4. Governance**

**F4.1**

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

Yes

**F4.1a**

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

Position of individual	Please explain
Board Chair	We believe that effectively managing our social impact and sustainability work will be an important part of our future success. These efforts, including forests-related initiatives are led by our Executive Chairman, President and CEO - and overseen by the Board of Directors, particularly the Nominating and ESG Committee. Senior leaders from Finance; Global Corporate Citizenship and Sustainability (GCCS); Human Resources; Inclusion, Diversity, and Equity (ID&E); Legal; Research & Development; and Supply Chain, as well as representatives across brands, regions, channels, and functions, drive our social impact and sustainability strategic initiatives and progress toward goals and commitments. Our Executive Chairman is also a member of the Board of Directors Nominating and ESG Committee, which oversees the company's citizenship and sustainability matters including forests-related issues, such as guiding strategy and managing investors' expectations.
Chief Executive Officer (CEO)	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, President and CEO - and overseen by the Board of Directors. Senior leaders from Finance; Global Corporate Citizenship and Sustainability (GCCS); HR; Inclusion, Diversity, and Equity (ID&E); Legal; Research & Development; and Supply Chain, as well as other representatives across the business, drive our social impact and sustainability strategic initiatives and progress toward commitments. The Charitable Foundation Board of Directors, which includes William P. Lauder and Fabrizio Freda, approved a grant to Conservation International. This grant funds a program which helps 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.

F4.1b

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

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

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 has a strong understanding of the forests-related risks and opportunities facing businesses today. 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 meet these criteria.

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

F4.3

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

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

**F4.3a**

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

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Procurement Officer (CPO)	Achievement of commitments and targets	ELC incorporates specific goals tied to the Company's broader social impact and sustainability strategy into the business goals for top executives, and compensation decisions are made based on their achievement. Our Chief Procurement Officer's annual performance review and remuneration package includes the successful delivery of ELC's Responsible Sourcing and Supplier Sustainability strategy. As part of our Responsible sourcing program we have commitments to NDPE Policy compliance and goals including: • By 2025, at least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains. • 100% of our forest-based fiber cartons FSC certified by 2025. Key performance indicators to measure successful progress towards our no deforestation commitments include the percentage of RSPO physically certified sustainable palm based ingredients and percentage of FSC certified forest-based fiber carton as per our goals. We have annual interim internal goals for these indicators to track progress to 2025 as part of our Procurement Scorecard. The threshold of success is demonstrated by delivery of these interim sustainability goals and metrics. ELC's combination of compensation elements is intended to help drive and promote strong, balanced, and sustainable corporate performance.
Non-monetary reward	Chief Procurement Officer (CPO)	Achievement of commitments and targets	We evaluate the performance of our employees, including our executives, under social impact and sustainability goals holistically, within the framework of our corporate strategy, as an input into compensation decisions. Our Chief Procurement Officer's annual performance review and associated performance rating includes the successful delivery of ELC's Responsible Sourcing and Supplier Sustainable strategy. As part of our Responsible sourcing program we have commitments to NDPE Policy compliance. Key performance indicators to measure successful progress towards our no deforestation commitments include percentage of RSPO physically certified sustainable palm based ingredients and percentage of FSC certified forest-based fiber carton.

**F4.4**

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

Yes (you may attach the report – this is optional)

**F4.5**

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

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

**F4.5a**

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

Scope	Content	Please explain
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	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p> <p>Description of forests-related standards for procurement</p>	<p>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, which outlines our expectations for suppliers regarding no deforestation or conversion. The NDPE Policy is based on criteria from The Accountability Framework, a set of guidance for implementing &amp; monitoring ethical supply chain commitments in agriculture and forestry. The content was included because it aligns with ELC's responsible sourcing strategy and reflects the targets we have implemented to achieve this. 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. The NDPE policy 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 will conduct due diligence of raw material sourcing to ensure compliance. We will begin this process by conducting commodity supplier compliance assessments, which will then further inform commodity-specific action plans. We will report on this process annually as appropriate. Our intent is to raise suppliers' performance so they can comply with our standards. If suppliers fail to comply with the outlined ingredients and packaging sourcing criteria, we will develop supplier corrective action plans and aid in implementation. If there is a lack of cooperation or untimely implementation of corrective action plans, this may result in a reduction in supplier business or termination of the supplier relationship. We assess compliance using third-party certification to the Forest Stewardship Council (FSC) Principles and Criteria 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. To reflect emerging best practices in each of our supply chains, as well as our overall organisation strategy, we will review this policy annually.</p>

F4.5b

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

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

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related standards for procurement</p>	<p>Through our NDPE policy and FSC targets, we specify the principles and goals that are applicable for our timber products and these have been formalized into a Timber Action Plan. The selected content was included because it aligns with ELC's responsible sourcing strategy and reflects the goals we have implemented to achieve our strategy. The policy recognizes the importance of forests and commits to no deforestation or conversion of natural forests. To achieve this, 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. We will report on this process annually as appropriate. This commodity-specific action plan will inform internal decision-making including our sustainable procurement procedures. ELC endeavors to source our timber products responsibly with respect for local communities and the environment by procuring ingredients from suppliers that can demonstrate adherence to the principles outlined in our Supplier Code of Conduct and NDPE policy. We assess compliance through supplier performance, increased traceability, and third-party certification to the Forest Stewardship Council (FSC) Principles and Criteria. To ensure our FSC commitment remains aligned to the wider business strategy, in FY19, we announced a target to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. We ensure that we are improving our percentage of FSC certified secondary/tertiary packaging by monitoring our consumption of certified products and shifting sourcing of paper products to suppliers with FSC certified products or engaging suppliers to obtain FSC certification. For example, in FY21 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 almost 80% of total folding cartons supply. ELC expects to continue evolving our approach through annual reviews of this action plan in partnership with our partners and stakeholders.</p>



	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related standards for procurement</p>	<p>Building upon our NDPE Policy, published in 2020, we have developed a commodity-specific action plan to address palm-based ingredients (palm oil and its derivatives). This plan applies to all ingredients purchased directly by ELC and includes all sourcing regions and operations, and direct suppliers from whom we source palm-based ingredients. The selected content was included because it best aligns with ELC's responsible sourcing strategy and reflects the targets and goals we have implemented to achieve our strategy. While ELC is a comparatively low-volume user of palm-based ingredients relative to other sectors, we are committed to taking action with our suppliers to build sustainable palm supply chains. ELC has identified the following three areas where we intend to build upon current policies and procedures to further our progress on responsibly sourcing palm-based ingredients: Sustainable Procurement, Monitoring &amp; Transparency, and Community Engagement. This commodity-specific policy is used to inform internal decision-making including our sustainable procurement procedures and responsible sourcing targets. In 2019, ELC committed that at least 90% of its palm-based ingredients will be certified sustainable from RSPO physical supply chains by 2025. In CY21, ELC achieved 92% of palm-based ingredients certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models). ELC plans to accelerate its sustainable palm procurement by: Continuing to build supplier capacity to make progress against its goal that 90%+ of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by 2025. Offering training on our NDPE policy and Palm Action Plan to our key direct palm-based ingredient suppliers and relevant Third-Party Manufacturers. Leveraging an industry aligned supplier sustainable palm sourcing assessment methodology with key palm suppliers in 2021 to inform supplier prioritization and drive continuous improvement. ELC recognizes this commitment is a journey and we expect to continue to evolve and establish best practices with our partners and stakeholders. We plan to share and update our progress on priority areas, including RSPO physically certified sustainable palm volumes, traceability and community impact projects on an annual basis. We will proactively review this policy annually.</p>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

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

Yes

**F4.6a**

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

Other, please specify (Accountability Framework)

**F4.6b**

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

**Forest risk commodity**

Timber products

**Criteria**

No conversion of natural ecosystems  
Zero gross deforestation/ no deforestation  
Avoidance of negative impacts on threatened and protected species and habitats  
No 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

**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. The NDPE policy and Timber 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 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 with these criteria. We will begin this process by conducting key commodity supplier compliance assessments, including timber, which will then further inform our Timber Action Plan. In 2019, The Estée Lauder Companies publicly committed to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. Through the FSC, forest managers must meet the FSC's Principles and Criteria, which sets out 10 principles and 70 criteria to ensure that forest management is 'of environmentally appropriate, socially beneficial and economically viable'. These criteria include commitments to upholding the principles and rights at work as defined in the ILO Declaration on Fundamental Principles and Rights at Work, upholding the legal and customary rights of Indigenous Peoples, and committing to not damaging or threatening High Conservation Value sites (criteria selected above). Obtaining timber products with this certification allows us to meet our NDPE commitment. We have established and are validating comprehensive glidepaths to achieve our packaging goals and are enhancing our data collection and reporting capabilities. We are on track with glidepath execution. To meet the selected criteria, including "No conversion of natural ecosystems", "No deforestation", and "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities", we continue to increase the percentage of FSC certified forest-based fiber cartons. For example in FY21, In our Europe, Middle East, and Africa (EMEA) region, new shipping boxes are free of plastic, tape, and unnecessary paper, and branded inner boxes have been replaced with plain carton packaging that is FSC certified. In FY21, 89% of our forest-based fiber cartons are FSC certified, increasing from 28% in fiscal 2019. In addition, in FY21 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 almost 80% of total folding cartons supply. In addition, we act to meet these criteria through our 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 six 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.

**Forest risk commodity**

Palm oil

**Criteria**

No conversion of natural ecosystems  
Zero gross deforestation/ no deforestation  
No new development on peat regardless of depth

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

**Operational coverage**

Direct operations and supply chain

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

100%

**Cutoff date**

2005

**Commitment target date**

2020

**Please explain**

In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. In addition, we have published a palm specific action plan to support the NDPE. 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 criteria in the NDPE policy and Palm Action Plan, we conduct due diligence of raw material sourcing. We began this process by conducting key commodity supplier compliance assessments, which further informed commodity-specific action plans. In 2019, The Estée Lauder Companies took action towards this commitment by publicly committing to source at least 90% of our palm-based ingredients (palm oil and its derivatives) from RSPO physical supply chains by the end of 2025, with the remainder covered through RSPO credits. RSPO's Principles and Criteria requires that suppliers are aligned to sustainable palm sourcing principles, including but not limited to No deforestation, No conversion, Land clearing does not cause deforestation or damage any area required to protect or enhance HCVs or HCS forest. HCVs and HCS forests in the managed area are identified and protected or enhanced, No peatland development regardless of depth, No burning in preparation of new plantings or re-plantings, Free and prior informed consent (FPIC) to ensure protection and promotion of the rights of indigenous peoples and vulnerable communities, Protection of human rights, including no forced labor, no harassment, no discrimination, and ensuring a safe working environment. By increasing the percentage of RSPO certified palm, we are taking action to meet these commitments. Through the end of CY21, 92% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models), an increase from 71% in 2020 highlighting action throughout the year to meet these commitments. In CY21, we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 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 FY21 is the approval and initiation of a grant by the ELCCF to ASD to kickstart an innovative pooled-funding model to help generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan, Indonesia, led by nongovernmental organization partner Institute Penelitian Inovasi Bumi (Inobu). Thus far, the initiative has helped support 589 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. Under the Mosaik Initiative, Project Inobu uses a collaborative approach to help address the underlying environmental, social, economic and agronomic problems faced by farmers to create results such as no deforestation from commodity expansion.

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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	Forests-related issues are integrated into ELC's long-term business objectives. For example, our 2019-2025 Environmental, Social and Governance goals include targets for both timber and palm commodities, as well as wider commitments on packaging, waste, ingredients, and energy and climate. We are implementing these goals over a 6 year time horizon. These goals are an important part of our strategy to embed citizenship and sustainability into our business operations. For example, we have set a goal to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by 2025. In FY21, 89% of our forest-based fiber cartons are FSC certified, increasing from 28% in FY19. For palm we set a goal that by 2025, at least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains. 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.
Strategy for long-term objectives	Yes, forests-related issues are integrated	11-15	The strategy used to achieve our Responsible Sourcing targets includes: - The publication of our NDPE policy in FY20. This policy applies to all our 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 HCS or HCV forests, beginning this process by conducting supplier compliance assessments to inform commodity-specific action plans. - Helping found the Action for Sustainable Derivatives (ASD), a collaboration co-facilitated by BSR and Transitions to promote responsible sourcing and collective action to increase sustainable production of palm oil. ASD participants aim to scale efforts towards compliance with NDPE principles and to transform the palm oil industry to address social and environmental issues. - Supporting The Lampung Project, a small hold farmer initiative focused on more sustainable palm oil production to drive responsible procurement, which ELC initiated in 2018. The Project's goal is to strengthen the ability of 1,000 farmers in the Lampung Province to produce sustainable palm oil that minimizes environmental impact and contributes to improved livelihoods. - Supporting Project Inobu - In FY21, the ELCCF initiated a grant to ASD to start a pooled-funding model to generate positive impact on the ground in a priority production landscape. The grant is being used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi. This project aims to reforest 50 ha of land. In the long-term, ELC will be integrating forests-related issues into our Climate Action Transition Plan, which outlines our strategy to align with a 1.5°C world. This covers our strategy to reduce emissions between FY18-FY30, and outlines our ambition to reduce emissions beyond FY30. Raw materials, including forest-related commodities, make up a portion of our carbon footprint. Developing plans to responsibly source these commodities and reduce emissions from our raw materials is part of our business strategy to meet our targets.
Financial planning	Yes, forests-related issues are integrated	11-15	In the short-term, to achieve the targets that we set in FY19 to source 100% of our forest-based fiber cartons from FSC-certified sources and at least 90% of our palm-based ingredients from RSPO physical supply chains by the end of 2025, we have set aside significant resources to make up for the additional costs associated with purchasing sustainably-sourced timber and palm oil and developing our smallholder engagement projects. For example, in fiscal 2021, The ELCCF approved and initiated a grant to ASD to kickstart an innovative pooled-funding model to help generate large-scale positive impact on the ground in priority production landscapes. The grant is to be used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan, Indonesia, led by nongovernmental organization partner Institute Penelitian Inovasi Bumi (Inobu). 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 reducing these emissions have been forecasted for financial planning purposes.

**F6. Implementation**

**F6.1**

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

Yes

**F6.1a**

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

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

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

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC Chain of Custody

**Start year**

2019

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

89

**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 89% of our FSC goal for timber-based cartons in FY21, 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 sustainable packaging and ESG targets will enable ELC to continue to advance its commitment to responsible corporate citizenship. These enterprise-wide goals will drive value for our brands as they align and innovate to meet these commitments. Consumers and employees are increasingly drawn to purpose-driven brands and companies. We have a long history of giving back and improving the places where we live and work. We ensure that we are progressing towards this target every year by shifting sourcing of timber products to suppliers with FSC certified products. For example, in FY21 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 almost 80% of total folding cartons supply. For existing suppliers which do not have FSC certification we will not agree to new business contracts until certification is complete.

**Target reference number**

Target 2

**Forest risk commodity**

Timber products

**Type of target**

Assess and/or verify compliance

**Description of target**

ELC is committed to assessing strategic suppliers' environmental impact, labor and human rights, ethics, and sustainable procurement practices with a goal to have strategic timber-based materials suppliers assessed and monitored by 2025.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

&lt;Not Applicable&gt;

**Start year**

2018

**Target year**

2025

**Quantitative metric**

&lt;Not Applicable&gt;

**Target (number)**

&lt;Not Applicable&gt;

**Target (%)**

100

**% of target achieved**

100

**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 FY21 100% of strategic timber-based packaging material suppliers have been engaged. Furthermore 70% of timber-based packaging material suppliers have been engaged representing 95% of the of timber-based packaging material FY21 spend.

**Target reference number**

Target 3

**Forest risk commodity**

Timber products

**Type of target**

Engagement with direct suppliers

**Description of target**

ELC is committed to responsible procurement of timber-based materials by engaging strategic timber-based materials suppliers in CDP Forests and offering training on our NDPE policy and Timber Action Plan by 2025

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

<Not Applicable>

**Start year**

2022

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

50

**Please explain**

ELC endeavours 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 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

**Type of target**

Third-party certification

**Description of target**

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

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

RSPO Identity Preserved

RSPO Segregated

RSPO Mass Balance

**Start year**

2019

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

90

**% of target achieved**

100

**Please explain**

Through the end of calendar year 2021, The Estée Lauder Companies achieved this goal. 92% of our palm-based ingredients were certified sustainable from RSPO physical supply chains (Mass Balance, Identity Preserved and Segregated models), achieving and exceeding our target. We continue to work with suppliers on sourcing RSPO Mass Balance certified palm-based ingredients (palm oil and its derivatives). In FY19, we set an enterprise-wide goal for palm oil that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. We selected to set our goal of 90% from RSPO certified physical supply chains because of a variety of factors, including, for example, the availability of certified palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. In CY21, we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 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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**Target reference number**

Target 5

**Forest risk commodity**

Palm oil

**Type of target**

Third-party certification

**Description of target**

Since 2015, 100% of the palm-based ingredients ELC sources for its products are RSPO certified through a combination of RSPO certified physical supply chains and

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

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

RSPO (any type)

**Start year**

2019

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

100

**Please explain**

We continue to work with suppliers on sourcing RSPO Mass Balance certified palm-based ingredients (palm oil and its derivatives). Since 2015, 100% of the palm-based ingredients ELC sources for its products are RSPO certified through a combination of RSPO certified physical supply chains and RSPO Book & Claim palm oil credits. In FY19, we set an enterprise-wide goal for palm oil that at least 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. We engage with our suppliers to increase our volumes of RSPO certified materials. For example, in CY21, we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans. This material requires an annual minimum order quantity and has been supplied to ELC at a higher price to enable the supplier to meet our RSPO requirements.

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**Target reference number**

Target 6

**Forest risk commodity**

Palm oil

**Type of target**

Traceability

**Description of target**

Through our membership in ASD, ELC is committed to establishing traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles, and collectively monitor and address grievance. Though this is an internal target, as part of our public palm action plan, we commit to reporting on our progress annually. Our target in FY21 was to trace at least 75% of palm volumes to the mill.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

Mill

**Third-party certification scheme**

<Not Applicable>

**Start year**

2020

**Target year**

2021

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

75

**% of target achieved**

100

**Please explain**

ELC is continuing to monitor our sustainable palm procurement by building transparency and confidence in our supply chain among partners and suppliers through industry collective action. In 2019, ELC became a founding member of the Action for Sustainable Derivatives (ASD), a pre-competitive collaboration of brands and suppliers aimed at addressing responsible sourcing in complex derivative supply chains by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. Through our membership in ASD, ELC is committed to establishing traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles, and collectively monitor and address grievances. In 2020, ELC hosted a webinar for all of its key palm suppliers to train them on sustainable palm oil, ELC's NDPE policy and commitments, and ASD's mission and traceability exercise kickoff. We achieved 82% traceability to mill in FY21, exceeding our target. We selected 75% as the goal as this represents the majority of our volumes, but recognizes the complexity of the palm derivatives supply chain.

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**Target reference number**

Target 7

**Forest risk commodity**

Palm oil

**Type of target**

Engagement with smallholders

**Description of target**

In 2019, the company launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. The target of this Project is to train 1000 smallholders in Farmer Field School. As of April 2022, 756 farmers have been trained and the partners plan to continue to engage smallholders in the Farmer Field Schools until the goal is reached.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

&lt;Not Applicable&gt;

**Start year**

2019

**Target year**

2022

**Quantitative metric**

&lt;Not Applicable&gt;

**Target (number)**

1000

**Target (%)**

&lt;Not Applicable&gt;

**% of target achieved**

75

**Please explain**

In 2019, the company launched Project Lampung in partnership with Solidaridad (a global NGO), BASF (a long-term supplier of ELC), the RSPO, Business Watch Indonesia (BWI), and the Indonesian Agency for Agricultural Extension (a local farmers association), to build the capacity of 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil and improve incomes and livelihoods. Though COVID-19 impacts have extended the project timeline and in particular delayed progress of the Farmer Field School Trainings, 23 groups of farmers and a total of 756 smallholder farmers have been reached by the Farmer Field Schools as of April 2022. Farmer Field School Trainings will continue until the goal is reached. 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?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	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 FY21, 89% 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 FY21 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 almost 80% of total folding cartons supply.	Not applicable	<Not Applicable>
Palm oil	Yes	In fiscal 2021, 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 and their suppliers that use derivatives. ASD intends to increase the transparency of the global derivatives supply chain, collectively monitor risks and activities along the supply chain and implement collective action projects to address social and environmental issues on the ground. Through our ASD membership, we have engaged with key suppliers to establish traceability to the mill level for 82% 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.	Not applicable	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.2a**

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

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Forest management unit	24
Timber products	Mill	34
Timber products	Country	8
Timber products	First importer	34
Palm oil	Plantation	30
Palm oil	Mill	52
Palm oil	Refinery	4
Palm oil	First importer	14

**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	58
Palm oil	Yes	100
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F6.3a**

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

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC (any type)

**Chain-of-custody model used**

<Not Applicable>

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

58

**Form of commodity**

Secondary packaging

Tertiary packaging

**Volume of production/ consumption certified**

13080

**Metric for volume**

Metric tons

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

No

**Please explain**

To ensure our FSC commitment remains supported and aligned to the wider business strategy, in FY19, we announced a target for our forest-based fiber cartons. Our ambition is to use responsibly sourced paper products whenever possible with a goal to have 100% of our forest-based fiber cartons FSC certified by the end of 2025. 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 58% in FY21. 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 FY21 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 almost 80% of total folding cartons supply. In FY21 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**

91.96

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

4706.61

**Metric for volume**

Metric tons

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

No

**Please explain**

Through our membership in the Action for Sustainable Derivatives collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles. In addition, through ASD we are addressing responsible sourcing by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We 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. Through the end of calendar year 2021, The Estée Lauder Companies made good progress towards this goal, achieving 92% RSPO certification (through mass balance, identity preserved and segregated models) for palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. In CY21, we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

**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**

0.03

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

1.81

**Metric for volume**

Metric tons

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

No

**Please explain**

Through our membership in the Action for Sustainable Derivatives collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles. In addition, through ASD we are addressing responsible sourcing by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We 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. Through the end of calendar year 2021, The Estée Lauder Companies made good progress towards this goal, achieving 92% RSPO certification (through mass balance, identity preserved and segregated models) for palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. In CY21, we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

**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**

0.01

**Metric for volume**

Metric tons

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

No

**Please explain**

Through our membership in the Action for Sustainable Derivatives collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles. In addition, through ASD we are addressing responsible sourcing by collaborating to harmonize approaches on transparency, risk monitoring and evaluation. In FY20, we published our No Deforestation, No Peat, No Deforestation (NDPE) policy in alignment with Accountability Framework criteria. The NDPE policy focuses on no deforestation, no conversion and respect for human rights, the rights of indigenous peoples and local communities, as well as workers' rights in all operations. To ensure compliance with these criteria, we conduct due diligence of raw material sourcing. We 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. Through the end of calendar year 2021, The Estée Lauder Companies made good progress towards this goal, achieving 92% RSPO certification (through mass balance, identity preserved and segregated models) for palm-based ingredients from physical supply chains. We engage with our suppliers to increase our volumes of RSPO certified materials. In CY21, we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans. Please note that the percentage of total consumption volume certified has been rounded up to 0.01% for disclosure. The actual percentage of RSPO Segregated certified palm oil derivatives is 0.0004%. Additionally, the volume of consumption certified has been rounded up to 0.01 metric tons for disclosure. The actual consumption volume is 0.002 metric tons.

**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Credits/Book &amp; Claim

**Chain-of-custody model used**

&lt;Not Applicable&gt;

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

8

**Form of commodity**

Palm oil derivatives

**Volume of production/ consumption certified**

410

**Metric for volume**

Metric tons

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

No

**Please explain**

Since 2015, 100% of the palm-based ingredients ELC sources for its products are RSPO certified through a combination of RSPO certified physical supply chains and RSPO Book & Claim palm oil credits. In addition to our expanded portfolio of palm-related positive impact projects, we procure only Independent Smallholder Book and

Claim credits, supporting direct market access for smallholders. To support smallholder farmers, we purchased 410 RSPO Independent Smallholder credits, equivalent to 8% of our annual palm volumes in 2021. Through these purchases, we supported smallholder groups with more than 240 independent smallholder palm oil farmer members in Indonesia.

#### F6.4

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

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

#### F6.4a

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

**Forest risk commodity**

Timber products

**Operational coverage**

Supply chain

**Description of control systems**

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**

51-60%

**% of total suppliers in compliance**

81-90%

**Response to supplier non-compliance**

Suspend & engage

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

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

**Please explain**

The FSC system includes the requirement that audits are conducted at least annually and no later than 15 months after the previous audit, in the case of chain of custody certification. Our response to non-compliance depends on the severity of the non-compliance. In extreme cases we will terminate supplier contracts. For less extreme cases for our current non-certified forest-based fiber carton suppliers we will work with them to gain certification and will not renew business contracts until their certification is complete. Currently 100% of our folding cartons suppliers are able to provide FSC certified materials. In FY21, 89% of our forest-based fiber cartons are FSC certified, increasing from 28% in FY19. This is included in the 58% 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 RDS system. We calculate certified volumes periodically through a standardized operational procedure (SOP) and publish progress annually through the RSPO ACOP (Annual Communication on Palm).

**Monitoring and verification approach**

Third-party verification

**% of total volume in compliance**

91-99%

**% of total suppliers in compliance**

91-99%

**Response to supplier non-compliance**

Retain & engage

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

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

**Please explain**

Supplier compliance is calculated by suppliers that are supply chain certified or licensed through RSPO. Majority of ELC's palm ingredient supply is consolidated with a small number of suppliers that represents about 95% of our palm volume and have at least one site/material that is RSPO certified. We calculate certified volumes periodically through a standardized operational procedure (SOP) and publish progress annually through the RSPO ACOP (Annual Communication on Palm). We address non-compliance depending on whether the supplier currently exists within our supplier portfolio or whether the supplier is new, rather than based on the severity of non-compliance. For all new material that is coded, the materials must be RSPO Mass Balance compliant or greater or they will not be coded. For existing suppliers, we look to engage with them to facilitate a shift to RSPO certified materials providing them with timeframes for achieving RSPO certification. For example, in CY21 we focused on engaging with the small number of suppliers that are not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 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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F6.6

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

	Assess legal compliance with forest regulations	Comment
Timber products	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." All timber based materials originating from forest risk countries used by ELC in FY21 are FSC certified. 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

Australia  
Brazil  
Thailand  
Viet Nam

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

Australia Illegal Logging Prohibition Act  
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  
Ecuador  
Gabon  
Guatemala  
Honduras  
India  
Indonesia  
Liberia  
Malaysia  
Mexico  
Nicaragua  
Panama  
Papua New Guinea  
Peru  
Philippines  
Thailand  
Venezuela (Bolivarian Republic of)

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

Brazilian Forest Code  
ISPO  
MSPO

#### Comment

N/A

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

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Not applicable	<Not Applicable>	<Not Applicable>	<Not Applicable>	We do not currently source any of our timber products from smallholders. Even though ELC does not have direct influence over the production practices that timber smallholders implement, through our FSC certification commitments, we endorse the work of FSC who engage with smallholders to implement good agricultural practices.
Palm oil	Yes, working with smallholders	Capacity building	Offering on-site technical assistance and extension services Prioritizing support for smallholders in high-risk deforestation regions	1586	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 3m smallholders produce 40%+ of global palm oil and rely on palm to support their income. These farmers face challenges, including limited access to markets, lack of training on agricultural best practice, which leads to low productivity and land tenure insecurity. ELC is committed to supporting farmers by helping build capacity and improve their livelihoods, with the goal of increasing their participation in the palm value chain. Our strategy for engaging with smallholders includes: Capacity building: In 2019, we launched Project Lampung in partnership with Solidaridad, BASF (a long-term supplier), the RSPO, Business Watch Indonesia, and the Indonesian Agency for Agricultural Extension, to build the capacity of 1,000 smallholder farmers in the Lampung Province to produce sustainable palm oil and improve livelihoods. This includes the training of farmers in good agricultural practices that protect the environment and worker health. As of April 2022, 756 farmers have been trained and the partners plan to continue to engage smallholders in the Farmer Field Schools until the goal is reached. In FY21, ELC's Charitable Foundation initiated a grant to ASD to start a pooled-funding model to generate positive impact in a priority landscape. The grant is being used to expand the Mosaik Initiative, a jurisdictional certification approach to sustainable palm production and landscape management in Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi. Thus far, the initiative has supported 589 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. Both Projects remain ongoing in 2021. In addition, ELC purchased 410 RSPO Independent Smallholder credits, equivalent to 8% of our 2021 palm volumes. Through these purchases, we supported smallholder groups with 241 independent farmer members in Indonesia. The total smallholders engaged in 2021 is the sum of individuals trained through Project Lampung and the Mosaik Initiative, plus the number of smallholders supported through the purchase of independent smallholder credits.
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) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Investing in pilot projects	61-70%	Our expectations for suppliers and third-party manufacturers of product ingredients and packaging materials, are set forth in our Supplier Code of Conduct -the basis for evaluation of suppliers' ethical business practices and the foundation of our Responsible Sourcing program. The Code addresses areas including human rights, child labor, forced labor, discrimination, worker health and safety, environment, ethical practices, and anticorruption. We monitor existing supplier ESG performance via the EcoVadis tool. EcoVadis is an online ratings service where suppliers can be assessed on environmental impact, labor and human rights, ethics, and sustainable procurement practices. Each participating supplier answers a custom questionnaire and provides supporting documentation on the platform. Suppliers are provided with strengths and areas for improvements. Suppliers with low performance are requested to be assessed annually. 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 joint business planning. Furthermore, quarterly Sustainability specific meetings are held with most strategic suppliers to assess progress against established goals and review new initiatives, for example, CDP Supply Chain Forests. In 2021, ELC joined the Pulpex partner consortium, becoming the consortium's first prestige beauty brand to support the development of a recyclable paper bottle made from responsibly sourced pulp. The Consortium's goal is to help ensure that the Pulpex bottle is scaled across multiple product categories. ELC are an advisor on the project and invest in the development of the packaging. We also work with direct suppliers to implement the Pulpex technology. The outcome will be for ELC to utilize the paper bottle designed by Pulpex, further contributing to our sustainable packaging commitments to use responsibly sourced paper products where possible, with a goal of achieving 100% FSC-certified forest-based fiber cartons and 75-100% recyclable, refillable, reusable, recycled or recoverable packaging by 2025. In FY21 100% of strategic timber-based material suppliers were engaged. 70% of timber-based material suppliers have been engaged through these different methods, that is more than 70 suppliers representing 95% of the FY21 spend.
Palm oil	Yes, working with direct suppliers	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Offering on-site training and technical assistance Other, please specify (Support suppliers to develop time-bound action plans )	81-90%	ELC aims to source palm-based ingredients sustainably 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 environmental impact and more. Each participating supplier answers a questionnaire and provides supporting documents on the platform. Suppliers are provided with strengths/areas for improvements. Suppliers with low performance are requested to be assessed annually. In 2021, ELC also worked with Action for Sustainable Derivatives 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 was evaluated on: Commitments; Process & Action Plan, Achievements & Compliance. ELC engaged each participating supplier to share results and encourage continuous improvement. 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 empower 1,000 smallholder farmers in the Lampung Province to produce sustainable palm oil that minimizes environmental impact and improves livelihoods by 2022. Key components of the Project include the training of farmers in good agricultural and management practices that protect the environment and worker health. Support suppliers to develop time-bound action plans: In CY21, we focused on engaging the few suppliers that are yet to provide ELC with RSPO certified palm derivatives. R&D teams met with 15+ suppliers to align timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans. Through these strategies, over 60 direct suppliers of palm ingredients are engaged. While we have direct control over purchased palm, we also influence our wider network of suppliers/ partners. In early FY2020 and in 2021, we informed third-party manufacturers that they should use palm ingredients from an RSPO physically certified sustainable source.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.9



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

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Supply chain mapping	Supplier questionnaires on environmental and social indicators Other, please specify (Contractual agreements, Innovation initiatives)	We engage with many of our tier-2 suppliers in a few different ways, including monitoring of their social, environmental and governance practices, through contractual agreements and partnering in innovation initiatives. We engage and monitor existing supplier, and some key second tier suppliers' (manufacturers) environmental, social and governance performance via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on environmental impact, labor and human rights, ethics and sustainable procurement practices. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform. For example, in FY21 folding cartons tier 2 suppliers linked to 96% of folding cartons FY21 spend was 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 almost 80% of total folding cartons supply.
Palm oil	Yes, working beyond first tier	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Offering on-site training and technical assistance	We engage and monitor existing supplier and 2nd tier suppliers (manufacturers) environmental, social and governance performance via the EcoVadis tool. EcoVadis is an online ratings service by which suppliers can be assessed on environmental impact, labor and human rights, ethics, and sustainable procurement practices. Each supplier that participates answers a customized questionnaire and provides supporting documentation on the EcoVadis platform. In addition, in fiscal 2021, the Estée Lauder Companies Charitable Foundation approved and initiated a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is being used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). This initiative has been ongoing through FY21, and has thus far helped support 589 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.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.10**

**(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	Please 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	Please explain
Row 1	Opportunity for smallholder inclusion Opportunity to restore natural ecosystems Risk of deforestation/conversion Supply of commodities strategically important	ELC works across several landscapes or jurisdictions to engage collaboratively with local communities, 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 maximise impact whilst managing risk of environmental degradation. In supported programmes, ELC particularly aims to present enhanced opportunities for smaller holder inclusion and enable the restoration of natural ecosystems through supported programmes.

**F6.10b**

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

**Country/Area**

Ecuador

**Name of jurisdiction or landscape area**

**Is the landscape defined by administrative boundaries of sub-national governments and does the approach have active government involvement?**

The landscape is not defined by administrative boundaries, but the approach has active government involvement

**Brief description of landscape/ jurisdictional approach**

In Ecuador, ELC supports the conservation of 178,000 hectares of the Huamboya-Pastaza landscape, as part of Conservation International's (CI) wider opportunity to conserve 550,000ha of high carbon forests in South America. The area plays a significant role in regulating the water flows from the Andes that flow 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. This landscape is also home to at least 17 IUCN redlisted species of fauna, including important populations of Jaguar. 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. CI's work will focus on women and youth participation in bioeconomy initiatives, including the implementation of feasibility analysis, species management plans to ensure sustainable resources use, development of business plans, and the establishment of agreements with academia and private sector to promote research and the commercialization of products with high quality. These activities will be tied to the commitment of communities and families to conserve Ecuador's Amazon and sustainably use its resources. In addition, CI will work with communities to ensure an equitable distribution of benefits, in particular for women and youth.

**Forest risk commodities relevant to this landscape/jurisdictional approach**

Timber products

**Type of engagement**

Funder: Provides full or partial financial support

**Description of engagement**

In Ecuador, ELC supports primarily from a funding perspective, entrusting Conservation International to deliver the project and engage with communities to achieve sustainable livelihoods. Through the support of this grant, two Indigenous women fellows will be supported by the program in Ecuador 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. That's the equivalent of the greenhouse gas emissions avoided by taking about 740,000 drivers off the road annually.

**Goals supported by engagement**

- Reduced emissions from land use change and/or agricultural production
- Avoided deforestation/conversion of other natural ecosystems
- Landscape conservation
- Implementation of livelihood activities/practices that reduce pressure on forests
- Improved business models that enable inclusion
- Improved capacity for community engagement in multi-stakeholder processes
- Increased adoption of sustainable production practices

**Company actions supporting approach**

- Build community capacity and incentivize engagement in multi-stakeholder processes
- Provide financial support to fund Free, Prior and Informed Consent (FPIC) processes
- Support additional/alternative livelihood activities and practices that reduce pressure on forests

**Implementation partner(s)**

Conservation International

**Engagement start year**

2021

**Engagement end year**

Please specify (2022)

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

**Details of your investment**

N/A

**Type of assessment framework**

No assessment framework in place

**Is progress monitored and publicly reported on?**

Yes, progress is monitored but not publicly reported on

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

Progress on CI's Amazon Indigenous Women's Fellowship Program is monitored through several KPIs including the number of: • Women supported • communities benefiting • people directly benefiting • hectares conserved • tons of Irrecoverable carbon conserved

**Country/Area**

Indonesia

**Name of jurisdiction or landscape area**

Central Kalimantan

**Is the landscape defined by administrative boundaries of sub-national governments and does the approach have active government involvement?**

Yes, the landscape is defined by administrative boundaries and the approach has active government involvement

**Brief description of landscape/ jurisdictional approach**

The Estée Lauder Companies Charitable Foundation approved and initiated a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is being used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). The project will make annual contributions to supporting the operations of the jurisdictional platform and secretariat (the jurisdictional platform is a multistakeholder forum in each of the districts which brings together agencies from the local government, agribusiness and processors, CSO and farmers, to define sustainability goals, including the protection of human rights, and strategies for implementing them). It will also complement existing initiatives in the district for supporting the achievement of sustainable and responsible palm oil production at the jurisdictional level and the achievement of jurisdictional targets for sustainable and responsible commodity production.

**Forest risk commodities relevant to this landscape/jurisdictional approach**

Palm oil

### Type of engagement

Funder: Provides full or partial financial support

### 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, ELC provides partial funding alongside these other stakeholders, supporting the work of the Inobu Mosaik Initiative. ELC's role is primarily funding via its Charitable Foundation, but through continued investment and collaboration with partners around the world, we maximise the value of the programme for local communities. 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 programme fosters practices that recognise 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.

### Goals supported by engagement

Smallholders mapped in landscape/jurisdiction  
Landscape restoration  
Implementation of livelihood activities/practices that reduce pressure on forests  
Greater smallholder inclusion  
Increased adoption of sustainable production practices  
Increased uptake of certification

### Company actions supporting approach

Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative  
Identify opportunities for public private collaboration  
Build community capacity and incentivize engagement in multi-stakeholder processes  
Financially support multi-stakeholder entity leading the initiative  
Provide information and training on best agricultural management practices  
Support landscape restoration and long-term protection  
Support uptake of certification

### Implementation partner(s)

Inobu Mosaik Initiative

### Engagement start year

2020

### Engagement end year

Please specify (2022)

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

### Details of your investment

In Indonesia, rural households rely heavily on farming for their livelihoods, but often lack the land rights, resources and funding to farm responsibly. Through our company's participation in Smallholder Derivatives (ASD), a collaborative initiative that brings together companies in the cosmetics, home, health and personal care, and oleochemicals industries to collectively tackle supply chain issues around palm derivatives, ELCCF has helped to fund the expansion of the Inobu Mosaik Initiative.

### Type of assessment framework

Specific initiative defined framework

### Is progress monitored and publicly reported on?

Yes, progress is monitored but not publicly reported on

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

Progress towards community-based restoration, fire-free villages and RSPO certification are monitored as part of this project. Project partners are working collaboratively to establish additional project KPIs to track impacts & outcomes. So far, achievements have included: 1. Community-based restoration - A forest community of Mendawai Sebrang agreed to restore 50Ha of forest in their village, meeting our restoration goal. The area is being prepared with seedlings (8808 total) sourced from a 4x16 m2 nursery operated by 18 farmers, with various species fulfilling ecological, economic and socio-cultural functions. 2. Fire-free village - Baseline studies have been conducted in Sepundu Hantu to design appropriate interventions that meet local needs, followed by a series of farmer trainings on no burning, organic farming, natural pesticides (47 participants, 13 were female). 14 farmers participated in food and livelihood diversification activities. Soil samples have been taken to gather supporting data. 3. RSPO certification - Established an Internal Control System in 4 villages, reaching 524 farmers. These farmers have been trained on the RSPO principles & criteria, and training was followed up by an internal audit of 264 farmers. Training included good agricultural practices, integrated pest management, high conservation value areas, pesticide & PPE usage, occupational health and safety, and fair & non-discrimination employment practices.

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

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**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**

Circular Economy 100 (CE100) by Ellen MacArthur Foundation: We believe it is important to work towards a more circular economy in which packaging is designed to be disassembled and reused. In FY19, we joined the Circular Economy 100 (CE100) program, run by the Ellen MacArthur Foundation. This platform brings together leaders and innovators in business, governments, and academia to contribute to society's transition to a circular economy. CE100 membership offers The Estée Lauder Companies' employees access to the CE100 Learning Portfolio, an array of professional learning resources and tools. Employees can also refer to a portfolio of recommended online and residential courses delivered by universities and external learning providers. For example, this includes resources in areas like the use of Renewable Materials such as timber based products, to achieve a low carbon, circular economy. Sustainable Packaging Initiative for CosmEtics (SPICE): We have also joined the Sustainable Packaging Initiative for CosmEtics (SPICE), aligning with organizations in the cosmetics industry to collectively shape the future of sustainable packaging. Our membership allows us to maintain voting rights, ensuring we have a voice in important discussions. Sustainable Packaging Coalition (SPC) We are proud to be a founding member of the Sustainable Packaging Coalition (SPC), which brings together businesses, educational institutions and government agencies to collectively strengthen and advance the business case for more sustainable packaging. Through the SPC, 250 of our package developers and marketing and creative designers are utilizing the online learning platform, accessing training courses on topics such as the essentials of sustainable packaging and composting. 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**

Timber products

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

Yes

**Activities**

Funding research organizations

**Country/Area**

United States of America

**Subnational area**

Please specify (New York)

**Initiatives**

<Not Applicable>

**Please explain**

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

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**Forest risk commodity**

Palm oil

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

Yes

**Activities**

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 90% of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by the end of 2025. Formulas manufactured by Third-Party Manufacturers (TPMs) are currently excluded. (Physical supply chain refers

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to a palm oil supply that is sourced from certified plantations under the Mass Balance, Identify Preserved or Segregated certifications). To meet that goal, we seek to purchase our palm ingredients from certified sustainable sources and from suppliers that can demonstrate their compliance with the RSPO Principles & Criteria, including responsible consideration of affected employees, individuals and communities, encompassing social impact assessments, contributing to local sustainable development where appropriate and respecting human rights. Until we are able to purchase 100% palm-based ingredients from physical supply chains, we will annually purchase RSPO Book & Claim Credits to offset the use of non-sustainable palm-based ingredients that we procure directly, including Independent Smallholder Credits from RSPO. We are making progress against our targets. We increased our procurement of palm derivative ingredients through RSPO-certified physical supply chains to 92% of purchases in CY21 (Mass Balance, Identity Preserved and Segregated models). We have been a member of the RSPO since 2014. RSPO is the leading convening body that develops and sets the standards for sustainable palm oil and enables palm oil certification. In FY20, we signed the RSPO's North American Sustainable Palm Oil Network (NASPON) Charter Agreement, signaling our continued commitment to using certified sustainable palm oil/ kernel oil (CSPO). NASPON's vision is to make North America a 100% CSPO market. These engagements fit into our wider environment strategy since we have set a goal to purchase at least 90% of our palm-based ingredients (palm oil and its derivatives) certified sustainable from RSPO physical supply chains by 2025.

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**Forest risk commodity**

Palm oil

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

Yes

**Activities**

Engaging with communities

**Country/Area**

Indonesia

**Subnational area**

Please specify (Central Kalimantan)

**Initiatives**

<Not Applicable>

**Please explain**

In December of 2019, The Estée Lauder Companies became one of the founding members of the Action for Sustainable Derivatives (ASD), a collaborative initiative co-managed and co-facilitated by BSR and Transitions, to promote responsible sourcing and collective action to increase sustainable production of palm oil and palm oil derivatives. In fiscal 2021, the Estée Lauder Companies Charitable Foundation approved and initiated a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is being used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). 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. This initiative has been ongoing through FY21, and has thus far helped support 589 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 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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**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

**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 more sustainable palm oil production, led by Solidaridad. The Project's goal is to empower 1,000 smallholder farmers in the Lampung Province of Indonesia to produce sustainable palm oil that minimizes environmental impacts and contributes to improved livelihoods by the end of 2022. Key components of the Project include the training of farmers in improved agricultural and management practices that protect the environment and workers. The Project also seeks to improve communication and support the development of market linkages between farms and mills, as well as provide long-term technical support for these new tools after the training has ended. Solidaridad projects that with more sustainable practices in place, harvest yields will improve, and the local farmers will have greater ability to sell collectively. It is expected that farmer organizations that support compliance with the Smallholder Standard of the Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO) will further strengthen the practices and economies of local farms, and will ensure the region's supply is responsibly sourced, helping to ensure that sustainable practices are the industry standard. The approach fits into our wider environment strategy as it reinforces our core values of ensuring quality, innovation and sustainability and demonstrates our commitment to ethical practices through personal engagement. Additionally, 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.

## F6.12

**(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and 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

**Primary motivation**

Voluntary

**Description of project**

In fiscal 2021, the Estée Lauder Companies Charitable Foundation approved and initiated a grant to Action for Sustainable Derivatives to kickstart an innovative pooled-funding model to generate large-scale positive impact on the ground in a priority production landscape. The grant is being used to expand the Mosaik Initiative, a proven jurisdictional certification approach to sustainable palm production and landscape management and restoration in Central Kalimantan led by NGO partner Institut Penelitian Inovasi Bumi (Inobu). The project focuses on forest protection and habitat restoration vital for wildlife in Central Kalimantan's ecological corridors. Funding will go toward the training for small-holder palm oil farmers in order to promote responsible sourcing and increase sustainable production of palm oil and palm oil derivatives. This project was selected 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.

**Start year**

2020

**Target year**

2023

**Project area to date (Hectares)**

0

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

50

**Country/Area**

Indonesia

**Latitude**

-2.25

**Longitude**

112

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Other, please specify (number of small-holder palm oil farmers engaged)

**Please explain**

Thus far, the Inobu Mosaik initiative has helped support 589 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. Project partners are working collaboratively to establish additional project KPIs to track impacts & outcomes. From 2022, several outcomes are being measured. These include regional economic development (based on agroforestry commodities from the jurisdictional program); increased adoption of sustainable production practices by farmers; incentivising the conservation of natural forests; increased uptake of certification by farmers; community-based forestry and landscape restoration; and striving for fire-free agriculture in one village. For each of these outcomes different KPIs are being used to track progress. For example: - The number of hectares of restorative agriculture supported - The number of hectares conserved - The number of hectares replanted - The number of palm oil farmers certified - The number of farmers adopting sustainable production practices.

## F7. Verification

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### F7.1

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

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

## F8. Barriers and challenges

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### F8.1

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

##### Forest risk commodity

Palm oil

##### Coverage

Supply chain

##### Primary barrier/challenge type

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: The Estée Lauder Companies is collaborating with stakeholder groups and other companies to identify mechanisms to improve traceability in the PKO and PKO derivatives supply chain with a goal to increase our procurement of CSPKO ingredients and collectively engage key actors along the supply chain. Through our membership in the Action for Sustainable Derivatives (ASD) collaborative initiative, we are working to establish traceability to the point in the supply chain where suppliers can demonstrate that the palm ingredients meet our sourcing principles.

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##### Forest risk commodity

Palm oil

##### Coverage

Supply chain

##### Primary barrier/challenge type

Limited availability of certified materials

##### Comment

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

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

**Forest risk commodity**

Timber products

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

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

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Main measure**

Greater supplier awareness/engagement

**Comment**

Our ambition is to have 90% of our palm-based ingredients certified sustainable from RSPO physical supply chains by the end of 2025. This requires engaging our suppliers in RSPO certification thus mitigating potential deforestation risks associated with these materials. In Calendar year 2021, The Estée Lauder Companies achieved 92% 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 deployed to achieve this goal was engagement with the small number of suppliers that were not yet providing ELC with RSPO certified palm oil derivatives. Procurement and R&D teams met with over 15 suppliers to align on timebound action plans for a transition to certified volumes and maintain supplier accountability to their action plans.

**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.

**F17 Signoff**

**F-FI**

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

**F17.1**

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

	Job Title	Corresponding job category
Row 1	Executive Chairman	Board Chair



## Submit your response

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

English

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

	I 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