

THE ESTÉE LAUDER COMPANIES INC.

THE BEAUTY OF  
*RESPONSIBILITY*

CORPORATE SUSTAINABILITY  
COMMUNICATION ON PROGRESS 2015



# ABOUT THIS REPORT

This document provides an update on progress in select sustainability areas since our most recent full Global Reporting Initiative (GRI) report, published in November 2014. Unless otherwise noted, this document covers activities conducted during FY2015 (July 1, 2014, to June 30, 2015), and includes data related to owned and operated facilities. There have been no significant changes from the 2014 Corporate Responsibility Report in the boundary or measurement methods applied to this report. Please see our **Annual Report** and **SEC filings** for more information on our business performance.

# THE BUSINESS OF BEAUTY

is rooted in aspiration. At The Estée Lauder Companies, we not only inspire the hopes and desires of our global consumers, but also continually challenge and shape our own ambitions, as well. Acting responsibly in everything we do is a business imperative that requires dedicated leadership and planning as well as thoughtful management of the economic, environmental and social impacts throughout our entire value chain. The driving force behind our company's success year after year is our strong focus on growth for the long-term. As we continue to make great progress in our sustainability journey, I wish to thank our suppliers, our retailers, our consumers and our remarkable global employees for their continued partnership and shared commitment to The Beauty of Responsibility.

A handwritten signature in black ink, appearing to read 'W. Lauder', with a stylized, flowing script.

William P. Lauder  
Executive Chairman

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# COMPANY AT-A-GLANCE

## FISCAL 2015\*

### COMPANY OVERVIEW

\$10.78

Net Sales in billions

1,062

Freestanding stores

25+

Prestige Brands

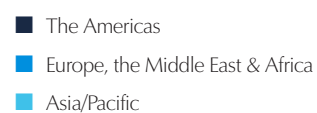
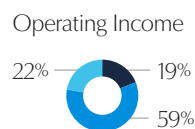
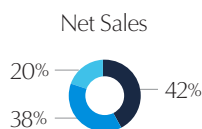
8%

of total revenue from online sales

150+

Countries and Territories

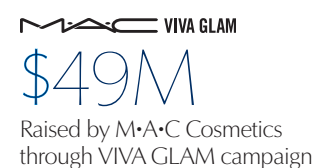
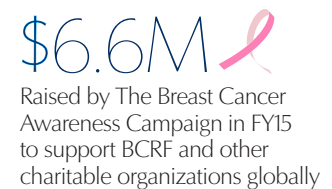
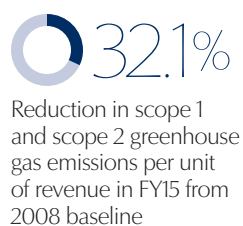
### RESULTS BY GEOGRAPHIC REGION



### OUR WORKFORCE



### ENVIRONMENTAL & SOCIAL PERFORMANCE



\* As a result of the Company's July 2014 implementation of its Strategic Modernization Initiative, approximately \$178 million of accelerated orders were recorded as net sales in FY14 that would have occurred in the FY15 first quarter.

\*\* In the U.S., minority is defined as any of the following: African American, Hispanic/Latino, Asian, Pacific Islander, American Indian, two or more races.

\*\*\* Company owned manufacturing and distribution facilities.

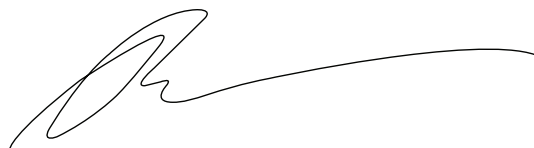
# MESSAGE TO *STAKEHOLDERS*

On behalf of The Estée Lauder Companies (ELC), we are pleased to share our Global Corporate Responsibility Communication on Progress for Fiscal Year 2015, as a complement to our biennial comprehensive Global Reporting Initiative (GRI) report. This summary document aims to highlight the progress ELC has made in key foundational areas, particularly in responsible sourcing and operations. Most importantly, it reflects the collective effort and commitment of many stakeholders to advance the sustainable practices of our Company.

Our commitment to conducting business with the highest standards comes from a heritage of responsibility. This is the starting point for everything we do. In the past year, we have built upon this foundation to assess and establish baseline data, review our current policies and begin to identify our future goals and targets. In doing so, we have positioned ourselves to evolve a strategy that will carry us forward and build on our strong legacy of commitment to our stakeholders.

Effectively addressing today's global challenges requires collaboration between governments, civil society, local communities and private enterprise. Over the course of the last year, ELC has developed and enhanced relationships with many new and existing partners to strengthen the environments and communities in which our business operates. These stakeholders have shared their expertise, knowledge and resources to help inform our Company's global sustainability strategy and vision, and have helped us understand how we can support theirs. We are also grateful to our many creative, smart, passionate, caring and talented colleagues at ELC for their collaboration, engagement and commitment to the execution of our Company's sustainability program.

There is more work to do in the coming fiscal year, as we continue to advance and adapt our approach to managing our Company's economic, social and environmental impacts. With the guidance and engagement of ELC's Executive Leadership, our Sustainability Council and other collaborators, we will set new measurable goals and targets aligned with our values and position as the leader in prestige beauty. We look forward to sharing our sustainability progress with you in future reports and welcome your continued engagement.



Gregory F. Polcer  
Executive Vice President, Global Supply Chain

# SUSTAINABLE SOURCING

“In the past year we launched several strategic initiatives to transform our supply base and procurement capability, unlock supplier innovation, accelerate value creation, mitigate supplier risk and enhance our responsible sourcing program. Strategic supplier partnerships are central to the exceptional quality of our products and help ensure that we sustainably innovate to meet changing market conditions.”

—Roberto Magana, SVP and Chief Procurement Officer

The Estée Lauder Companies (ELC) aims to continuously enhance our responsible and ethical sourcing practices in line with goals and objectives and with stakeholder expectations. This means reviewing our relevant policies, working closely with brands and sourcing partners, and collaborating with industry groups and peers to improve supplier practices and performance.

In FY2015, through the work of our internal Palm Oil Working Group and Convention on Biodiversity task force, we identified opportunities to strengthen our policies, programs and collaborations to better manage sourcing risks and oversight.

We also strengthened key aspects of our responsible sourcing and Supplier Code of Conduct programs and developed strategies to enhance communications with suppliers through web and other digital platforms. We expect to realize many of these initiatives in the next fiscal year.





## RESPONSIBLE SOURCING OF PALM OIL

In November 2014, we announced a new Palm Oil Sourcing Policy, which includes a no-deforestation commitment, membership in the Roundtable on Sustainable Palm Oil (RSPO) and objectives to formulate our products with more certified sustainable sources of palm-based material. We continue to collaborate with our suppliers and fellow members of the Natural Resources Stewardship Circle (NRSC) and have forged a new partnership with an NGO to enhance traceability in our palm oil sourcing. Focused on high-volume suppliers, which represent approximately 80 percent of ELC's annual sourcing, we are beginning to map our supply chain with the aim of tracing source materials back to plantations and growers.

## PROTECTION OF BIODIVERSITY

ELC has a long history of sourcing raw materials from environments that are rich in biodiversity, with more than half of the raw materials we use derived from plant origin. As threats to the world's natural resources increase, we must continue to strengthen our approach to protecting biodiversity and to sourcing plant-based raw materials globally. To this end, ELC is currently working to develop an ethical and responsible framework for sourcing biodiversity. We plan to partner with a leading NGO to develop sourcing protocols that will enable us to ensure:

- Sustainable use of materials from areas rich in biodiversity
- Respect for local communities and their traditional knowledge/practices, cultural expressions and equitable sharing of benefits linked to the use of genetic resources

## RESPONSIBLE SOURCING/ SUPPLIER CODE OF CONDUCT

Our [Supplier Code of Conduct](#) defines our expectations for suppliers' ethical behavior and performance. In FY2015, we updated the Code to include expanded antidiscrimination protections. It is now in line with our [Employee Code of Conduct](#) and covers protected groups, including those based on sexual orientation and gender identity.

In addition to the enhancements we made to our Supplier Code of Conduct, our Global Supplier Relations team is working to strengthen our supplier monitoring and compliance program. We have assessed the risk parameters that are most critical to our business as a tool for prioritizing supplier auditing, updated our Supplier Self-Audit Questionnaire and on-site auditing protocols to more comprehensively align with our Supplier Code of Conduct, established an escalation process for reviewing critical nonconformance and investigated a variety of mutual recognition platforms and training tools. These steps will enable us to implement a more robust enterprise-level responsible sourcing and Supplier Code of Conduct program in the coming fiscal year.

To ensure continuous improvements in our sourcing practices, we became a member of AIM-Progress, a global responsible sourcing forum for diverse consumer goods manufacturers and their common suppliers. Through shared auditing, member benchmarking, supplier capability-building and best practice education, AIM-Progress works with members to improve supply chain practices.



## SUPPLIER SUSTAINABILITY PRACTICE & PERFORMANCE

This year, we continued to use two tools to evaluate supplier sustainability performance. Our raw material suppliers complete an online survey of their sustainability practices biennially, while our packaging component suppliers and third-party manufacturers were introduced to an additional assessment scorecard last year:

- More than 90 percent of our internal raw material suppliers completed the Green Chemistry sustainability assessment in FY2015
- More than 82 percent of our packaging component and third-party manufacturers completed the Sustainability Scorecard in FY2015

We continue to assess the utility and influence that these supplier performance scorecards have on our procurement. In addition, we are gauging the appropriate weight of sustainability performance relative to other critical performance areas, including quality, price, service and innovation.

As a way to reward outstanding performance, last year we introduced a Sustainability Award into our Supplier Excellence Award Program. Suppliers are evaluated on the following criteria:

1. Shows exceptional leadership and awareness of environmental and social impacts of the materials or design provided to ELC
2. Provides superior sustainability performance (Environmental, Social and Good Governance), as demonstrated on ELC's Sustainability Scorecards
3. Helps drive differentiation through innovation of new sustainable materials and designs for ELC's brands
4. Demonstrates commitment to advancing responsible sourcing practices and chain of custody traceability



## SUPPLIER CODE OF CONDUCT COMPLIANCE MONITORING

ELC's global supply chain is composed of direct suppliers, including manufacturers of packaging components, suppliers of raw material ingredients, third-party manufacturers, and indirect suppliers, including transportation, energy, print, visual merchandising, counter construction and other services.

ELC assesses its existing direct and indirect suppliers for risk based on criteria including industry sector, geography and spend. The assessment includes administration of a Self-Audit Questionnaire (SAQ) that suppliers must complete and submit to ELC. Since 2009, all direct suppliers have been evaluated for risk. Those suppliers identified as high-risk have been evaluated through an on-site audit, conducted by a third-party auditor. ELC has also assessed a portion of existing indirect suppliers from critical industries for risk and audited those indirect suppliers identified as high-risk.

## SUPPLIER CODE OF CONDUCT MONITORING RESULTS

	FY13	FY14	FY15
Number of independent, third-party supplier social compliance audits conducted	49	81	46
Number of Self-Audit Questionnaires completed	23	85	34



AVEDA's Hand Relief Night Renewal Serum is created with the oil of sustainably harvested Andiroba seeds from small co-operatives in Marajó Island, Brazil

# EFFICIENT *OPERATIONS*

“We continue to focus on managing our operating footprint, working across our sites in partnership with our Offices Services team, to optimize our resource use and minimize waste. In addition to reducing our use of key inputs, including energy and water, we are learning from best practices to increase diversion of our waste and mitigate and offset our greenhouse gas (GHG) emissions. Given the increasing impacts associated with our growing, global retail business, in the coming year we aim to develop and pilot High Performance Building (HPB) principles within the built environment, from concept and design to operations and maintenance.”

– Michael Jaklitsch, Vice President, Global Environmental Affairs and Safety

The Global Environmental Affairs and Safety (EAS) team at ELC works to advance the environmental performance of our Company and has driven significant operating improvements since FY2008, when we first began reporting resource use, waste generation and emissions.

This past year the EAS team implemented important strategic initiatives to reduce our environmental footprint and identified new opportunities for resource efficiency, conservation and materials recapture. The team is also developing a global energy strategy, capital investment approach and environmental performance goals for 2020.



Industrial mixing kettles at the Melville facility



## CLIMATE AND ENERGY

As a global Company, we recognize our responsibility to manage and reduce the carbon we emit. Our global energy strategy is built on three pillars:

- Improve energy efficiency in owned operations
- Invest in clean and renewable energy sources
- Establish energy independence and diverse fuel sources

Our approach is rooted in a belief in managing for the long-term. We work to reduce our carbon footprint by conserving energy and investing in energy efficiency projects and renewable energy sources.

## UNDERSTANDING CLIMATE CHANGE RELATED RISK AT ELC

In FY2015, we completed a comprehensive climate change risk management analysis through the Enterprise Risk Management process. We identified the physical, business continuity, sourcing, regulatory and reputation risks and how consumer preferences might be affected by climate change. This process strengthened our ability to anticipate risks to our business from rising energy demands and costs and other impacts from climate disruption.

## GREENHOUSE GAS EMISSIONS

ELC's climate and energy policies center on reducing operational (Scope 1 and Scope 2) GHG emissions. While we recognize that the vast majority of emissions in our value chain are attributed to upstream suppliers, our focus for the near-term is to improve our footprint in operations where we have the most direct control.

In FY2015, our absolute emissions totaled 96,362 metric tons CO<sub>2</sub>e, a 1.8 percent increase from the previous year. Our emissions increased due to business growth in our retail operations. Compared to our FY2008 baseline, however emissions decreased 7.4 percent attributed to energy efficiency projects.

### FY2008–FY2015 SCOPE 1 AND 2 GHG EMISSIONS INTENSITY PER UNIT OF REVENUE\*



\* We calculate our GHG emissions according to the GHG Protocol Corporate Accounting and Reporting Standard and include emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and hydrofluorocarbons (HFCs).

FY15 data is preliminary and was still being finalized at date of publication.

We achieved a 32.1% reduction in Scope 1 and Scope 2 greenhouse gas emissions per unit of revenue in FY2015 from a FY2008 baseline. Building on this progress we are working on establishing new emissions reduction goals for FY2020. In the coming fiscal year, we look forward to announcing new targets.

Every year, we report our GHG emissions to the CDP, which monitors corporate approaches to tackling climate change. We are proud to be included in the CDP Climate Disclosure Leadership Index for the third consecutive year. Our performance score was a B and our disclosure score was 99.

## ENERGY EFFICIENCY

The energy consumed by ELC's manufacturing, distribution and retail stores accounts for the majority of our GHG Scope 1 and 2 footprint. Increasingly, we will focus on energy efficiency projects to meet our ambitious GHG goals for our growing number of freestanding stores (FSS). By FY2020 we estimate that FSS will contribute 38 percent of our Scope 1 and Scope 2 emissions, compared to 20 percent in FY2008. Mindful of this impact, we established high efficiency LED lighting standards for all new FSS. Existing stores will be retrofitted over time as additional scalable approaches to energy efficiency are identified.

### FY2015 ENERGY CONSUMPTION\*

	FY14	FY15	% CHANGE (YOY)	PERCENT CHANGE (Compared to FY2008 baseline)
Energy Consumption for 25 industrial sites	66,726,310 kWh	64,153,891 kWh	-3.86%	-22%

\*Inclusive of 25 global supply chain facilities.

## OPERATING SUSTAINABLY IN NEW YORK CITY

We believe that creative minds thrive in inspiring places. At our corporate headquarters in New York City, we partnered with the Natural Resources Defense Council's (NRDC) Center for Market Innovation (CMI) to help us improve our energy efficiency.

Improving the energy performance of our offices is vital to achieving our long-term efficiency goals. The types of measures recommended to us by CMI included the implementation of daylight harvesting light fixtures, occupancy sensors and Energy Star equipment. The result: potential energy savings of 15 to 27 percent at this location.

## WATER

Although the majority of our operations are neither water-intensive nor located in water-stressed areas, we recognize our responsibility to conserve precious water resources. Groundwater for heating, ventilation, air-conditioning (HVAC) is closed loop and returned to the aquifer source after use.

### FY2015 WATER CONSUMPTION

	FY14	FY15
Total water usage for global supply chain facilities	1,676,856 cubic meters	1,767,382 cubic meters
Total groundwater used for heating, ventilation, air-conditioning (HVAC)	1,137,217 cubic meters	1,162,925 cubic meters

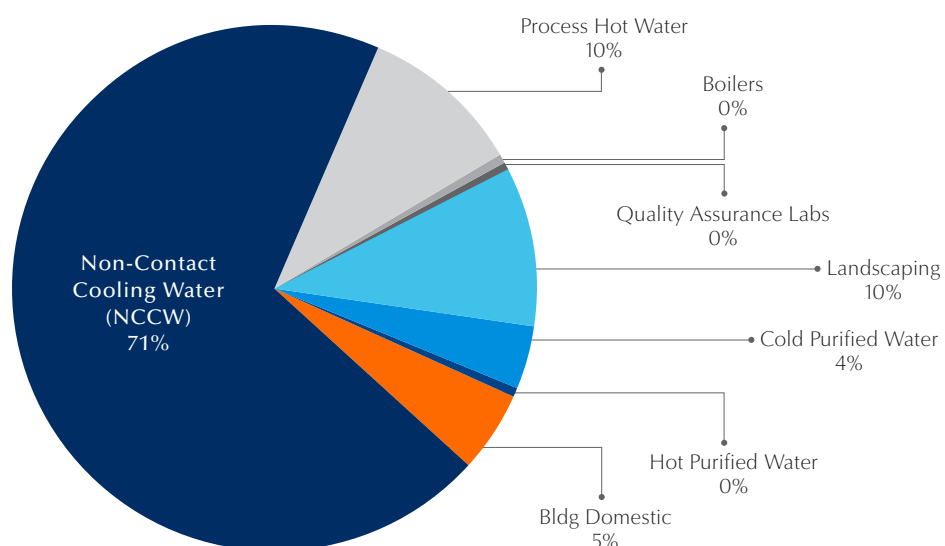
Understanding the current state of water use across our operations is essential to better managing this vital resource. In FY2015, we conducted a corporate water footprint analysis at our largest production facility in Melville, New York.

FY2015 Melville, New York, production facility:

- Melville total water: 1,474,330 M<sup>3</sup>
- Melville groundwater for HVAC: 1,162,925 M<sup>3</sup>
- Melville without groundwater: 311,405 M<sup>3</sup>

The analysis showed that adjusting and upgrading heating, ventilation and air conditioning equipment, and the use of closed-loop systems to clean and reuse water across operations, would contribute to considerable water savings within this facility. We are taking steps in this regard, some of which the plant has already implemented. In FY2016, we intend to assess other ELC facilities to identify opportunities and strategies to improve water conservation.

### FY2015 TOTAL MUNICIPAL WATER USE AT MELVILLE, NY, PRODUCTION FACILITY



Water savings and purification technologies are already being used in some of our locations throughout the world. In our Belgium facility, a new water treatment system expected to be operational by January 2016 cleans waste water for reuse in mechanical cleaning, reducing water use by up to 50 percent at this location. Rainwater harvesting systems are being developed in the UK to provide 14 percent of its water demand. South Africa is working to ensure that its facility can continue to operate in the event of an interruption in local water supply. We expect to continue to improve our capacity to conserve water through analysis and strategic investment.

## WASTE

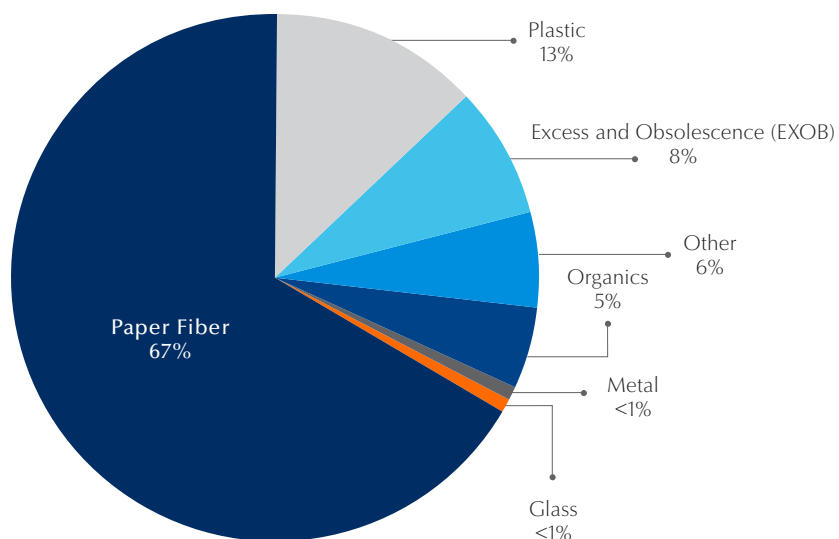
We have a strong record of minimizing waste from our facilities and continue to identify new ways to improve recovery and diversion rates. Since 2003, our company owned manufacturing and distribution facilities have sent zero waste to landfill. Any waste that cannot be recycled is incinerated and converted to energy. 23 of our facilities are zero waste to landfill.

With the goal of establishing a clear and credible baseline on which to develop future priorities, in FY2015, we conducted a comprehensive assessment of our production facility in Melville, New York. The analysis considered the entire production process and focused on material inputs to finished products. The findings have enabled us to pinpoint opportunities to reduce waste, including packaging materials received with the goods we procure from suppliers.

Key learnings from the Melville production facility waste assessment included:

- Recycling organics and pulp trays in the cafeteria can increase diversion by 9 percent
- Increasing yield of bulk mass from plastic bladders can increase diversion by 10 percent and reduce disposal costs
- Diversion rates for the three products selected for an end-to-end waste analysis averaged 78 percent
- Alternatives to plastic wrapped cardboard have the potential to reduce disposal by 73 tons per year

### FY2015 WASTE GENERATION AT MELVILLE, NY, PRODUCTION FACILITY





We also achieved a FY2015 recycling rate of 87 percent for our company owned manufacturing and distribution facilities, exceeding our target of 84 percent. This progress was driven by our dedicated global waste minimization team, drawn from across our company owned manufacturing and distribution facilities. We tailor efficiency measures to the processes and materials at each facility. Our new FY2016 recycling target is 88 percent.

Working with our affiliates is a natural extension of our zero waste approach and a priority looking ahead. In FY2016, we will begin gap assessments at a number of our affiliate distribution centers (DCs). These sites include: Italy (DC), China (DC and R&D lab), U.K. (DC), Spain (DC), South Africa (DC), Brazil (DC), Mexico (DC), Bulgaria (DC), France (R&D lab), Japan (R&D lab), Romania (DC), Czech Republic (DC), Greece (DC), Hungary (DC), Russia (DC) and Chile (DC).

We recognize the challenges and opportunities to further reduce our impacts in these areas and across our operations, even in regions of the world that currently lack modern waste management infrastructure. We will continue to assess and implement best practices across our facilities.

In April 2015, ELC celebrated Earth Month with fairs, fundraisers and events to engage and inform employees about the Company's commitment to environmental stewardship. These activities included:

- **SPRING-CLEANING:** This event, held at our NYC offices, resulted in over 1,000 pounds of material collected and contributed to charitable partners and 3,000+ pounds of documents shredded and recycled.
- **VOLUNTEER AND COLLECTION EFFORTS:** Aveda employees contributed time and money to supporting Ocean Action, and also hosted an Earth Month event featuring entertainment, vendor booths and additional fundraising.
- **OCEAN RESTORATION EFFORTS:** A team from La Mer Thailand planted artificial coral reef to support ocean habitat.
- **ENVIRONMENTAL SELFIE CHALLENGE:** The Global Environmental Affairs and Safety team ran this initiative, aimed at engaging employees in the Company's goal of Zero Waste. Employees from all over the world submitted pictures of themselves engaging in positive behaviors for the environment.



Pigments used in product formulation at the Research & Development Lab in Melville

# PRODUCT, PACKAGE' & SERVICE *INNOVATION*

“Our longstanding history of world-class creativity and innovation is central to the high quality products and services our consumers enjoy every day. We are committed to designing and embedding sustainability into our processes and continuing to utilize Green Chemistry principles throughout product development.”

– Carl Haney, Executive Vice President, Global Research and Development (R&D),  
Corporate Product Innovation, Package Development

In FY2015, ELC continued to think critically about our packaging and material use and about prestige consumers' expectations of product packaging. We conducted a packaging material usage study to establish a baseline, from which we will develop new strategies to reduce, replace and recycle product packaging. Additionally, our Global Corporate Responsibility function worked with ELC's Consumer Insights team and several ELC brands to gain greater understanding into global consumers' expectations for more sustainable products and related purchase motivations.

In collaboration with our supplier industry groups, we continue to explore and test the use of more sustainable materials such as plant-derived plastics, new packaging formats including refills and post-consumer recycled content, and aim to design our packaging for more effective materials recovery.



Formulators working in the Research & Development Lab in Melville

## RAW MATERIALS ASSESSMENT

Building upon our rigorous internal safety assessments, ELC works with external partners to assess the human health and environmental safety of the raw materials we procure for our product portfolio. This assessment is used to complete a profile for each new raw material and is an important resource for our formulators.

## PACKAGING IMPACTS AND MATERIAL USE

The design and aesthetic of our packaging must reflect the prestige of our products. To meet the changing needs of consumers, we know that we must deliver products that perform well for consumers as well as for the environment.

We support and encourage our packaging designers and engineers to create sustainable, elegant packaging solutions and to remain current with emerging industry trends. In 2010, ELC invested in a software add-on to our packaging computer-aided design (CAD) system which provides for a Life Cycle Assessment (LCA). In the past fiscal year, our packaging engineering team has used this tool to test packaging with environmental impact modeling. We expect to continue to leverage this LCA tool in the coming year to make better informed decisions about packaging design, material use and sourcing.

## PLANT-BASED MATERIALS

Reducing our dependence on fossil fuel-derived plastic packaging materials is a meaningful way to reduce our overall impact on climate change. Aveda has been a pioneer in the use of sustainable packaging materials, and many of our other brands have benefitted from its experiences with post-consumer recycled content and plant-based materials.

This year, some of our brands began to explore incorporating plant-based materials into their packaging. Through a partnership between our Global Corporate Responsibility, Packaging Operations, Packaging Development and Global Supplier Relations teams, we established relationships with key bio-material suppliers and worked with other industry groups to better understand the challenges, costs and performances of the materials.

Based on LCA results, plant-based materials are promising as high-performing, environmentally preferable sustainable packaging materials. In fact, the environmental performance of the materials investigated is superior to their virgin fossil-fuel derived counterparts. In the coming years, we aim to continue identifying opportunities to substitute with these key renewable materials.



## CONSUMER EXPECTATIONS

This year, our internal Consumer Insights team reviewed primary research on consumer perceptions and attitudes toward sustainability. This meta-analysis has provided us with a richer understanding of the opportunities and challenges to building brand equity through sustainability. Overall, the meta-analysis suggested that consumers have more awareness of sustainability issues and are increasingly scrutinizing ingredient transparency and seeking reputable information about the products they use. At the same time, consumers continue to prioritize personal benefit over social, environmental or economic good and are unwilling to sacrifice quality or performance for sustainability. Nonetheless, there is a significant opportunity for brands to develop credibility by providing sustainability information and messaging.



Backstage at New York Fashion Week with Aveda

# SOCIAL *IMPACT*

“As a family founded company, giving back is built into our very DNA. We leverage our business thinking and resources as a global corporate citizen to address the greatest needs of our local communities and to support the causes that matter to our employees, consumers, and partners around the world, whether it be breast cancer awareness and research, protecting the environment, or ending HIV/AIDS. To solve the world’s toughest problems, we need corporations to bring their business skills and monetary resources to the table, and we are proud to be one of those corporations.”

– Nancy Mahon, Senior Vice President, Global Philanthropy & Corporate Citizenship

Our Company’s long-term success is closely tied to the vitality of the communities where we have a presence. We are dedicated to being active and respectful citizens, and we engage in philanthropic and employee volunteering efforts to enhance the communities we touch.

## BREAST CANCER AWARENESS (BCA) CAMPAIGN

Since 1992, ELC’s Breast Cancer Awareness (BCA) Campaign has been a centerpiece of our Company’s philanthropic efforts. Now present in more than 70 countries, the BCA Campaign’s mission is to defeat breast cancer through education and medical research.



Elizabeth Hurley, Global Ambassador for The BCA Campaign, celebrates the kick-off of The BCA Campaign at Hudson's Bay in Toronto alongside The Estée Lauder Companies' executives and beauty advisors



In FY2015, the BCA Campaign hosted volunteer activities and events worldwide and raised more than \$6 million. Fifteen of our brands supported these efforts through the sale of Pink Ribbon products or donations. Through Pink Ribbon Product sales, brand contributions, employee fundraising activities and donations made through BCACampaign.com, we raised nearly \$4.1 million in FY2015 to support the Breast Cancer Research Foundation's (BCRF) advancement of promising, innovative research. This funding will support 16 BCRF research projects, for a total of 82,000 research hours. The additional funds raised were donated to other organizations around the world focused on breast cancer research, education and medical services.

To date, the BCA Campaign has raised more than \$58 million for BCRF and more than 40 other breast cancer organizations worldwide. For more details, please visit [BCACampaign.com](http://BCACampaign.com)



## HEAR OUR STORIES. SHARE YOURS.

In October 2014, The BCA Campaign launched “Hear our stories. Share yours,” which used personal storytelling to foster an online global support community while raising funds to fight breast cancer. Expanding on the theme “We’re Stronger Together,” we invited people to visit [BCACampaign.com](http://BCACampaign.com) and use #BCAstrength on social media to hear powerful survivor stories, be moved to share their own, and join the fight against breast cancer by making a donation to the Breast Cancer Research Foundation (BCRF). For every uplifting message or photo shared using #BCAstrength, ELC donated \$1 up to \$22,000 to BCRF in honor of The BCA Campaign’s 22nd anniversary. This was just one part of the broader \$5 million annual fundraising goal, which was exceeded.

“I’m focused on actively participating in life, and taking time to be thankful for being here. I’m back to running, doing things I love with the people I love and redefining my relationships along the way.”

– Noelle, 50

“My beautiful, sweet husband helped me transform from victim to survivor. During this process I began to think about how incredible it is to be alive and how grateful I am that I’ll be able to see my children grow up, and grow old with my husband. I’ve also started to think about how important it is to share my story with others, especially those who may not feel comfortable asking for help.”

– Jeanette, 53

## MAC AIDS FUND

Dedicated to supporting people living with and affected by HIV/AIDS, the MAC AIDS Fund (MAF) is now the largest corporate foundation and second largest private donor in the United States for HIV/AIDS causes. Since 1994, M·A·C Cosmetics in partnership with its retailers has raised \$390 million through the VIVA GLAM Campaign, including \$49 million in FY2015 alone.

In FY2015, MAF continued to engage employees around the world through its annual events and signature programs and provided grants to over 600 nonprofit organizations in more than 50 countries, guided by its three priority areas:

- Prevention for people most at risk, including youth
- Access to treatment for people living with HIV
- Basic needs for people living in poverty and affected by HIV/AIDS

MAF's World AIDS Day Global Volunteer Initiative has become a core commitment of M·A·C employees each year. In December 2014, more than 2,500 M·A·C employees volunteered at HIV/AIDS organizations in 30 countries. To further engage M·A·C employees, MAF continued the M·A·C Team Grants Program in the U.S. and the U.K. With this program, when three or more M·A·C employees volunteer together with an eligible HIV/AIDS organization, they earn \$1,000 for every 15 cumulative volunteer hours – up to \$5,000 per team or \$25,000 per organization each year. Through this program, over 500 M·A·C employees contributed more than 1,600 volunteer hours, generating a 400 percent increase in participation in team grants over FY2014. For more information, visit [MACAIDSfund.org/](http://MACAIDSfund.org/).

In the last year, MAF also launched a documentary film, *It's Not Over*, to raise awareness among youth about HIV/AIDS. MAF engaged the award-winning filmmaker Andrew Jenks, whose film tells the story of three young people from around the world living with or closely affected by HIV/AIDS. The film was produced in 14 languages on 26 digital platforms, broadcast on television in the U.S., made available on Netflix and iTunes, and featured in film festivals in France and India.



## GLOBAL PHILANTHROPY & CORPORATE CITIZENSHIP

In order to further globalize our commitment to creating positive impact, the Global Philanthropy & Corporate Citizenship (GPCC) department was formed in FY2015. This function provides leadership and oversight in growing and deepening the Company's community initiatives across brands, regions and functions.

## EMPLOYEE VOLUNTEERING

As part of our founding values, ELC employees volunteer their time every year to causes close to their heart. In FY2015, ELC employees contributed 42,857 volunteer hours, engaged in 981 activities, and partnered with 409 non-profit organizations, globally.

## THE EMPLOYEE ADVISED FUND

We also piloted the Employee Advised Fund (EAF) this year, designed to give employees the opportunity to direct funds and commit volunteer hours to non-profits of their choice. In FY2015, The EAF pilot program was launched in collaboration with five Employee Resource Groups (ERGs):

- Asian Affinity Group (AAG) supported Asian immigrant survivors of domestic violence and human trafficking, mostly women and their children, by providing wellness events and collection drives to help the survivors' transitions.
- Hispanic Connection (HiC) helped prepare low-income students become college-bound leaders who will give back to their communities.
- NOBLE facilitated leadership programs to strengthen African American students' leadership and team-building skills, as part of a college and career readiness program.
- wELCome worked to inspire and empower LGBTQA youth by connecting them to positive role models and affirmative experiences.
- GenNEXT, in alignment with their philanthropic mission of being "committed to shaping the NEXT generation," invested their funds to build a school in Guatemala and participated in various volunteer events globally.

In FY2015, a total of 1,116 volunteer hours and \$125,000 in donations were contributed to our communities and our non-profit partners through the EAF pilot program.



# EMPLOYEE *WELLBEING*

“In the past year we have implemented an HR transformation aimed at creating capabilities that are aligned with our long-term strategy, ensuring that we can be strategic partners for the business, with shared accountability for talent and a focus on becoming a destination for global talent. Our people are among our greatest assets and we will continue to invest in recruitment and development programs that ensure we have the talent to meet our future business goals.”

– Michael O’Hare, Executive Vice President, Human Resources

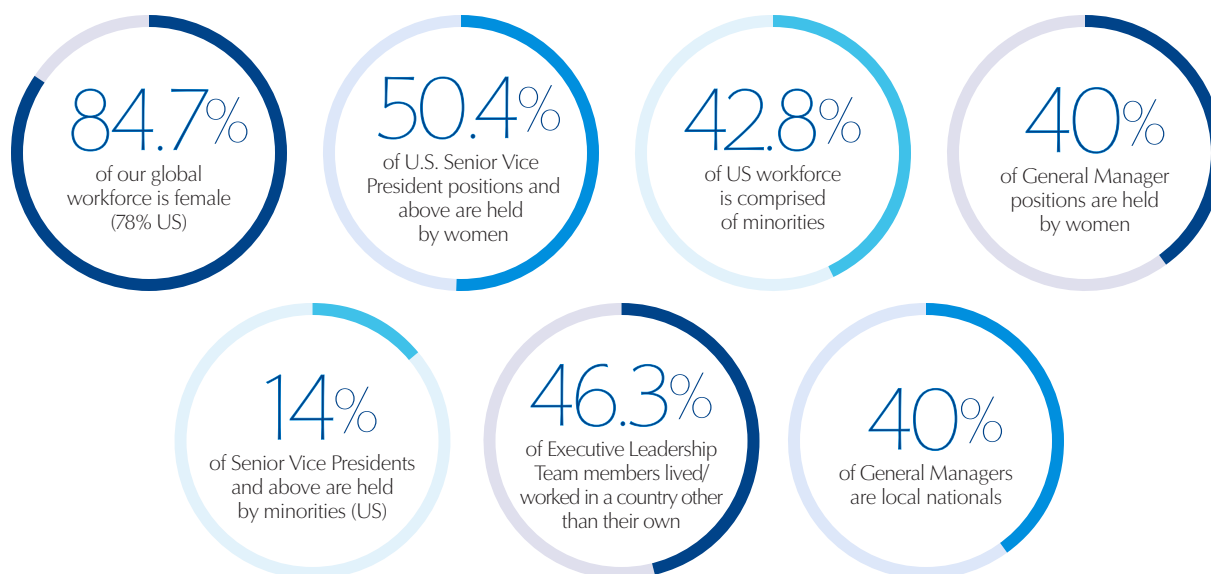
## CELEBRATING GLOBAL DIVERSITY

We strive to support our employees by building a diverse and inclusive culture, by empowering them through personal development opportunities, and by ensuring their health and safety in the workplace. Continuing the Estée Lauder legacy means remaining committed to managing responsibly for the long-term, to create safe and trusted products and lasting economic and social value for future generations.



Laverne Cox and Nancy Mahon celebrating Inclusion & Diversity Week

## OUR WORKFORCE IN FY2015:



This year, our Chief Diversity Officer, Marilu Marshall, and our Global Diversity Council (20 leaders, including Executive Chairman, William P. Lauder, and President and CEO, Fabrizio Freda) continued to oversee a plan to further embed inclusion and diversity across our operations in more than 150 countries and territories. The multi-year Global Inclusion and Diversity Strategic Plan, launched in 2012, is founded on three pillars:

- **DIVERSE LEADERSHIP** – Foster inclusion and diversity by encouraging leadership and accountability from every chair
- **INCLUSION** – Drive creativity and innovation through an inclusive culture
- **TALENT MANAGEMENT** – Identify and leverage the best talent across geographies

As of FY2015, 5,246 employees from the U.S. and Canada as well as employees from EMEA, LATAM and APAC, participated in the Inclusion & Diversity Global Seminars, “High-touch Inclusion: How We Work Together and Why It Matters.” In addition, four of our affiliates (U.K., Mexico, South Africa and Malaysia) developed their own regional Inclusion and Diversity Action Plans, tailored to meet their culturally-specific needs.

## ADVANCING INCLUSION



This year, we developed a cross-functional task force led by senior company executives and ELC’s LGBTQA employee resource group to support the enhancement of ELC’s policies and practices pertinent to LGBTQA inclusion. As part of these efforts, we expanded the anti-discrimination protections found in our [Supplier Code of Conduct](#); implemented an internal policy stating ELC’s philanthropic giving would not be made to organizations that expressly discriminate on the basis of sexual orientation and/or gender identity; and enhanced our employee benefits program in retirement and pension benefits to ensure parity across all “soft” benefits for same-sex and opposite-sex domestic partners and spouses. These key updates earned our Company a 100% rating on the Human Rights Campaign’s 2016 Corporate Equality Index, its first perfect score since 2011.

## EMPLOYEES DRIVING CHANGE

Our Employee Resource Groups (ERGs) are responsible for some of the most transformative changes within our organization and across our brands. Since January 2014, total ERG membership has grown 224 percent. As of June 30, 2015, total ERG membership was 2,689 employees across 14 global groups.

## ERG HIGHLIGHTS

### GenNEXT

- Supported the Company's focus on understanding the "Millennial Mindset" through a series of presentations by the GenNEXT Skincare Innovation Team on new concepts and formulas, "For Millennials, by Millennials," to the R&D Leadership team.
- Launched new chapters in Canada, U.K. and Chile.
- Created a sustainability committee in the U.S.

### wELCome (LGBT)

- Worked to promote support for LGBTQA Pride Month in the U.S., resulting in seven brands leveraging social media and e/m-commerce platforms to promote LGBTQA inclusion.

### Estéemulando

- Increased focus on people with disabilities in Mexico. Efforts included educating current employees on best practices for interviewing candidates and assisting customers with disabilities. Additionally, the group targeted three best-selling products across brands to add Braille language to their exterior packaging in the near future.

## TALENT RECRUITMENT, TRAINING & DEVELOPMENT

Recruiting top talent is essential to our continuing record and heritage of excellence. In FY2015, we launched the Global Talent Transformation (GTT) initiative, which aims to elevate and strategize around talent recruitment, development and build a diverse talent pipeline with best-in-class capabilities. The first phase of GTT is the Global Talent Acquisition initiative, an extension of **HRConnect**, which serves to strengthen our process for hiring the best talent by providing insights into our internal talent pool and the external talent market. The initiative will launch for non-retail groups in the U.S. in the beginning of FY2016 and will be rolled out across regions through FY2017 in a phased and tailored approach.

Our strategy for recruiting the best talent is guided by four priorities:

- Cultivating a strong leadership pipeline
- Building a compelling employer brand
- Leveraging digital technology; attracting Millennials through social media
- Optimizing our external collaborations – focusing on strategic sourcing initiatives

## LEARNING & DEVELOPMENT

This year, we were proud to offer our employees a variety of learning and development opportunities that inspire growth. Program highlights from FY2015 include:

- **Project Management Education** – A series of skill-building modules designed to enhance project management expertise across teams and functions.
- **“Bringing Out Your Best”** – A program aimed at high-potential employees to help develop broad-ranging business skills and essential knowledge for excelling at ELC.
- **“You, the Coach 1.0”** and **“You, the Coach 2.0”** – We reached over 572 people with “You, the Coach 1.0” and we launched “You, the Coach 2.0” to our managers last year (476 managers have participated). These two courses are designed to build a strong coaching culture. Since its inception in FY13, 3,344 managers have taken part in “You, the Coach 1.0.”
- In FY15, over 1600 employees accessed our global eLearning offerings.

## EXECUTIVE EDUCATION FY15

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141

executives participated in  
The Estée Lauder Companies  
at Bryn Mawr College

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71

executives participated in the  
Affiliate General Managers  
program at The Wharton School of  
the University of Pennsylvania

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17

executives participated in the  
Leonard A. Lauder  
Brand Equity Symposium

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21

executives attended the  
William P. Lauder Brand Equity  
& Business Symposium at The Wharton  
School of the University of Pennsylvania

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## WORKPLACE SAFETY

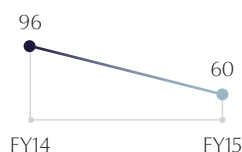
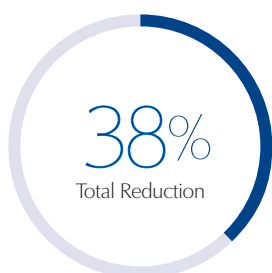
We are committed to providing a world-class safe and healthy workplace for our employees. In FY2015, we continued to progress toward our goal of zero incidents by promoting safety best practices across our operations.

In FY2015, our Global Environmental Affairs & Safety team implemented a number of changes to further our commitment to safety. Key efforts included the roll-out of personal protective equipment (PPE) minimum standards and behavior-based safety (BBS) programs across all company owned manufacturing and distribution facilities, globally. Education around safety education also continued through a pilot program focused on awareness, job rotation and standardized procurement processes for ergonomic equipment.

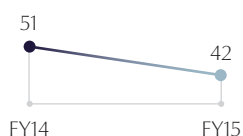
At the end of FY2015, our total number of recordable injuries was 185, a 24 percent reduction from FY2014. Our Total Incident Rate (TIR) was 0.36, exceeding our goal of 0.45 per 100 full-time employees (the global TIR has been reduced by 78 percent since FY2009). We will continue to work to achieve our FY2016 goal of 0.34 TIR.

### RECORDABLE INJURIES

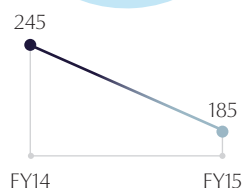
#### SLIPS, TRIPS AND FALLS



#### ERGONOMIC INJURIES



#### TOTAL RECORDABLE INJURIES

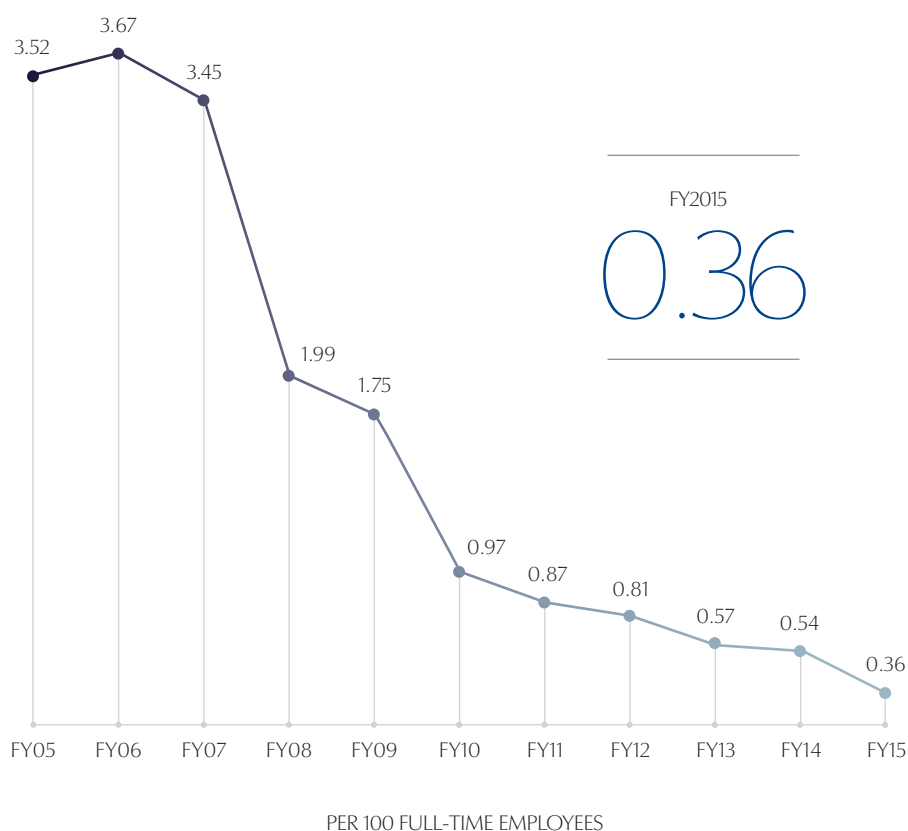






Employees at the Melville facility adhering to enhanced personal protective equipment standards

#### ELC GLOBAL TOTAL INCIDENT RATE



# LOOKING FORWARD

The Estée Lauder Companies' creates exceptional products, services and experiences that delight consumers, respects our shared resources and drives long-term value creation. We know that creativity and sustainable innovation are key to delivering on this promise.

We will continue to explore ways to improve our operating efficiency and reduce waste, identify and mitigate risks in our value chain, and embed environmental and social benefits in our products to differentiate and build brand equity. By setting ambitious goals we will work to enhance our performance and reputation with key stakeholders around the world.

In our rapidly changing world, we need to be agile, creative and determined to meet the challenges ahead. Building on our Company's legacy of integrity, respect and caring, we hope to inspire positive change and demonstrate The Beauty of Responsibility.

Learn more: [www.elcompanies.com](http://www.elcompanies.com)





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