

THE ESTÉE LAUDER COMPANIES INC.

INSPIRED BY  
*BEAUTY*  
DRIVEN BY OUR  
*VALUES*

OUR FISCAL 2019 CITIZENSHIP AND  
SUSTAINABILITY REPORT





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# ABOUT THIS REPORT

This report provides a review of The Estée Lauder Companies' citizenship and sustainability activities and performance since our last progress report, which was published in June 2019. The content covers our priority focus areas. Unless otherwise noted, this report covers activities during our fiscal 2019 (July 1, 2018 to June 30, 2019) and includes data for facilities we own and operate.

This report has been prepared in accordance with the standards outlined by the Global Reporting Initiative (GRI): Core option. *The GRI Index for this report can be found on page 82.*

This report has been verified by Apex Companies, LLC, to a limited level of assurance based on the International Standard on Assurance Engagements (ISAE) 3000 for certain environmental metrics.

*You can download the assurance letter here:* [!\[\]\(d66ff64371a51729ac8c1cdaa685ba6f\_img.jpg\)](#)







[Read more about sustainability and citizenship at The Estée Lauder Companies online.](#)

Please see our Annual Report on Form 10-K for the fiscal year ended June 30, 2019, for information about our business performance. Additional information is available in our fiscal 2019 Year in Review materials.

*Annual Report on Form 10-K for fiscal year 2019* [📄](#)

*Fiscal 2019 Year in Review* [📄](#)

#### CAUTIONARY NOTE REGARDING CITIZENSHIP AND SUSTAINABILITY INFORMATION

This report contains information about our citizenship and sustainability goals and efforts. These involve certain risks and uncertainties, such as changes in our business (e.g., acquisitions, divestitures or new manufacturing or distribution locations), the standards by which achievement is measured, the assumptions underlying a particular goal and our ability to accurately report particular information. Actual results could differ from our stated goals or the results we expect. We also may change, or decide not to pursue, certain goals or initiatives. Moreover, the standards by which citizenship and sustainability efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions. The standards and assumptions could change over time. In addition, statements made about our Company, business or efforts may not apply to all business units (e.g., ones that are recently acquired). We assume no responsibility to update the information contained in this report or to continue to report any information.





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

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Dear Stakeholders,

As an organization with a mission of bringing the best to everyone we touch, we believe that embedding citizenship and sustainability across our business reflects our focus on long-term, sustainable growth. We are responsive to the dynamic interests of our key stakeholders—consumers who increasingly seek out purpose-driven brands, investors who are looking beyond the traditional financial metrics used to measure a company's performance and employees who expect us to actively live our ELC family values. Through our sustainable practices, we seek to express these values as established by our founder, Mrs. Estée Lauder, while earning the enduring loyalty of all our stakeholders.

Citizenship and sustainability have been part of our success for many years. More recently, we have taken important steps to formally integrate these principles into our strategy and across our entire business. In fiscal 2019, we established more robust internal citizenship and sustainability accountability structures that bring together the efforts of our brands, regions and functions. We strengthened these accountabilities by formalizing a cross-functional executive board to directly support our Global Corporate Citizenship and Sustainability function, which is overseen by the Nominating and Governance Committee of our Board of Directors.



We also fast-tracked a variety of programs and initiatives. We set goals that align with the areas of our business where we believe we have the biggest opportunity to create positive impact. And, recognizing that our employees are the key to executing our strategy, we committed to providing access to basic sustainability and social impact training across all levels of our organization by the end of 2020. As we further our efforts in areas such as climate change, responsible sourcing of raw materials, sustainable packaging, green chemistry, inclusion and diversity and social investments, we are proud of our accomplishments to date.

In fiscal 2019, we continued to work to address challenges and opportunities associated with climate change. For example, we are making good progress towards our goal to achieve, by the end of 2020, (a) net zero carbon emissions from our operations and (b) sourcing 100% of our global electricity from renewable energy technologies through our RE100 commitment. We will continue to develop strategies to further integrate renewable energy into our operations and build a diverse portfolio of energy investments.

As part of our commitment to responsible sourcing, we continue to work with and support local communities and organizations including, for example, participating in partnerships to develop proactive and sustainable solutions intended to eradicate child labor in the mica mining industry in India. We believe that the circular economy is an important area, and we are seeking to increase the use of more sustainable materials in our packaging and to provide consumers with options for recycling and reuse. And as a company with deep expertise in product development, we are further embedding the principles of green chemistry into our R&D and product formulation efforts.

Our pioneering social impact programs remained a source of differentiation, as this year we marked the 25th Anniversary of the M·A·C AIDS FUND, which remains the largest corporate HIV/AIDS funder outside of the pharmaceutical industry. We also reaffirmed our commitment to be a part of the global solution to end animal testing in cosmetics through our pledge to the Humane Society International's flagship #BeCrueltyFree campaign, while also launching a new partnership with Cruelty Free International.

Another way we create social impact and honor the legacy of our founder is by encouraging and inspiring our female employees to realize their full potential as leaders. Our cornerstone Women's Leadership Network supports women in their professional development while growing the next generation of talent through mentorships, training and collaborative opportunities. We continually drive toward our vision to be the most inclusive and diverse prestige beauty company in the world and were especially honored to be recognized as the "#1 Employer for Women 2019" by Forbes (July 2019) and to receive a score of 100% on the Human Rights Campaign's Corporate Equality Index.

Many of our enterprise initiatives are focused on supporting women and girls. In fiscal 2019, we raised more than \$10.3 million through The Breast Cancer Campaign for research, education and medical services, globally. Our Girls' Education Initiative continued to help girls worldwide acquire the necessary tools and skills to become healthy and productive adults and break the cycle of poverty, reaching more than 140,000 girls in more than 20 countries. And, we invested in the HERproject, an innovative model that empowers women in the supply chain through workplace-based interventions on health, financial inclusion and gender equality.

We will continue to innovate and deliver on what our consumers have come to expect from The Estée Lauder Companies: quality, performance and luxury. As *The Global House of Prestige Beauty*, we bring the most coveted brands, products and High-Touch experiences to our consumers around the world. While we leverage the success, expertise and reputation of sustainably focused brands such as Aveda, Origins and La Mer, we believe other brands will contribute fresh perspectives and new voices in the future. Guided by our family values of respecting individuality, we look to each brand to bring its unique and established voice to the conversation about what it means to operate responsibly.

Fiscal 2019 was an exceptional year for The Estée Lauder Companies in delivering growth in the dynamic and fast-paced world of prestige beauty. We credit our success to the passion and dedication of our employees, the vision and agility of our leaders and the strength of our beloved brands, which entice and delight our consumers around the world. We thank our entire organization and our stockholders, consumers, suppliers and communities for their continued support and belief in The Estée Lauder Companies.

We look forward to building a beautiful and sustainable future together.



WILLIAM P. LAUDER &  
FABRIZIO FREDA



# ABOUT

THE ESTÉE LAUDER COMPANIES INC.

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

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



SELECT FISCAL 2019  
RECOGNITIONS\*

**FORTUNE**  
*Fortune* World's Most  
Admired Companies (#1 in  
the "Cosmetics" category)

**BARRON'S**  
*Barron's* 100  
Most Sustainable U.S.  
Companies (#45)

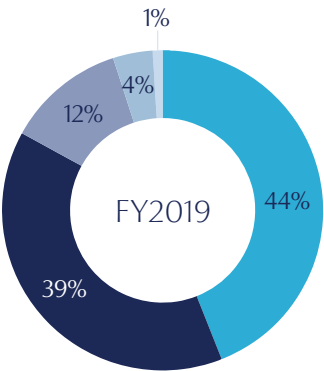
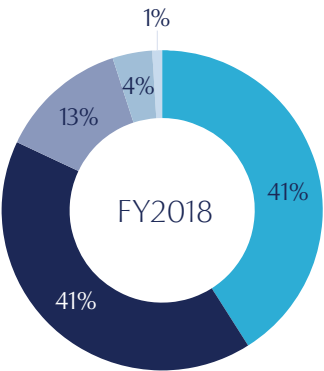
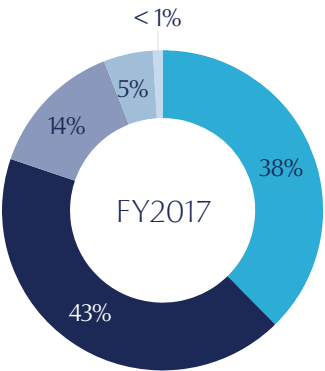
**Forbes**  
*Forbes* The World's Most  
Reputable Companies  
(#53), powered by RepTrack™

FISCAL 2019  
NET SALES

\$14.86B

NET SALES BY  
PRODUCT CATEGORY  
(Percentage of Net Sales)

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



NET SALES BY  
GEOGRAPHIC  
REGION  
(Percentage of Net Sales)

32%  
THE AMERICAS

43%  
EUROPE, THE MIDDLE  
EAST & AFRICA

25%  
ASIA-PACIFIC

Learn more about our  
global operations [🔗](#)

\*Please see our Inclusion and Diversity awards on page 17.



# CITIZENSHIP & SUSTAINABILITY GOALS & PROGRESS

WE SET GOALS AS AN IMPORTANT PART OF OUR STRATEGY TO EMBED CITIZENSHIP AND SUSTAINABILITY INTO OUR BUSINESS OPERATIONS.

Our citizenship and sustainability goals are in focus areas where we believe we have an opportunity to positively impact the environment and society. We announced many of these goals in March, 2019. Below is our progress against the goals as of June 30, 2019.

FOCUS AREA	GOAL <sup>1</sup>	FISCAL 2019 PROGRESS
ENERGY AND EMISSIONS	By 2020, we will achieve Net Zero carbon emissions and RE100.	We are on track to achieve Net Zero carbon emissions and RE100 by 2020. – Net Zero: 39% progress towards goal – RE100 Progress: 66% of electricity sourced from renewable sources
	By 2020, we will build upon our Net Zero carbon emissions commitment and set a science-based target (SBT) covering Scopes 1, 2 and 3.	We have committed to setting a science-based target covering our Scope 1, 2 and 3 emissions. For more information, <a href="#">please visit the Science Based Targets website.</a>
WASTE	By 2020, we will achieve zero industrial waste-to-landfill for all global manufacturing and distribution sites. <sup>2</sup> We expanded this goal in fiscal 2017 to include all global distribution and innovation sites.	100% of global manufacturing sites sent zero industrial waste to landfill. 85% of global distribution sites sent zero industrial waste to landfill. 60% of global innovation sites sent zero industrial waste to landfill.
EMPLOYEE SAFETY	We will drive safety to continue decreasing the total incident rate <sup>3</sup> to ensure continued world class-leading levels, with a goal of 0.15 by 2025.	Our Total Incident Rate was 0.25.

1. "By 20XX" means by the end of calendar year 20XX.

2. Waste goal includes industrial waste from 50 in-scope locations (14 manufacturing sites, 31 distribution sites, and five innovation sites). Industrial waste includes the solid component of the waste stream arising from commercial and industrial activities (not collected as Municipal Solid Waste), but does not contain Listed Waste, Hazardous Waste or Radioactive Waste.

3. Total incident rate is the number of OSHA recordable incidents per 100 workers.



FOCUS AREA	GOAL	FISCAL 2019 PROGRESS
RESPONSIBLE SOURCING	As part of our continuous efforts to address issues that may exist within complex supply chains, by 2025, we will have identified sensitive ingredient supply chains and developed robust biodiversity and social action plans for them.	We developed biodiversity and social action plans for sensitive ingredient supply chains that we prioritized in fiscal 2019 through ongoing evaluation and review.
	At least 90% of our palm-based ingredients (palm oil and its derivatives) will be certified sustainable from RSPO physical supply chains by 2025, with 50% palm-based ingredients certified sustainable from RSPO physical supply chains by 2020.	47% of our palm-based ingredients were certified sustainable from RSPO physical supply chains in calendar year 2018.
PACKAGING	By 2025, 75-100% of our packaging will be recyclable, refillable, reusable, recycled or recoverable.	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.
	We will increase the amount of post-consumer recycled (PCR) material in our packaging by up to 50%.	
	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.	
INGREDIENT TRANSPARENCY	We will develop a glossary of key ingredients that includes descriptions of the ingredients' purpose and will make this information available online by 2025.	Our global brands are developing ingredient glossaries with pilot initiatives underway to establish key processes and parameters for disclosure.
LEARNING AND DEVELOPMENT	We are committed that by 2020, 100% of our employees worldwide will have access to training on basic sustainability and corporate social impact programs.	There are multiple programs available to ELC employees that provide training on basic sustainability and corporate social impact programs. We are developing these learning programs to reach an increasing number of eligible employees. <i>Read more about our programs on pages 23 and 55.</i>
SOCIAL INVESTMENTS	By 2020, our programs and grants focused on health, education and environmental programs will impact the well-being of 10 million individuals around the world.	Our M·A·C VIVA GLAM Campaign fiscal 2018 grants <sup>4</sup> have directly or indirectly impacted more than 12 million individuals. We are currently refining our measurement processes to account for individuals impacted via our other health, education and environmental programs. <sup>5</sup>
	Each brand will focus on and support at least one social or environmental cause by 2025.	We are developing a process for brands to align to and support environmental and social causes. Brands will be given guidelines, toolkits and trainings to enable them to meet this goal and identify new opportunities to create positive impact.
EMPLOYEE ENGAGEMENT	By 2025, we will engage 50% of eligible employees in regional, brand or local volunteer programs such as ELC Good Works, The Breast Cancer Campaign and the M·A·C Global Volunteer program.	Employees contributed more than 25,000 volunteer hours in fiscal 2019. <sup>6</sup> We are currently refining our data-collection processes to fully account for the percentage of engaged employees across our social impact initiatives.

4.Impact associated with fiscal 2018 grants is tracked in fiscal 2019.

5.Impact figures are self reported by our grantees.

6.Eligible employees include full-time and part-time employees in the United States and corporate full-time, part-time and fixed-term contract employees in the United Kingdom.



# *RESPONSIBLE SOURCING*

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## PARTNERING TO ADDRESS CHILD LABOR IN MICA MINING

The Estée Lauder Companies' products are created from ingredients sourced from all over the world, forming complex and multilayered supply chains. As a global citizen committed to operating responsibly, we work closely with our suppliers and sourcing partners to identify and understand where challenges may exist within these supply chains.

One of these challenges lies in the sourcing of mica and its connection to child labor. Mica is an ingredient used across many industries, including beauty and personal care. Much of the mica found in the cosmetics industry is used in pigments for products, such as eyeshadow or highlighter. A large portion of this mica comes from the Indian states of Jharkhand and Bihar. These two areas make up India's "mica belt," where the mica mining industry remains a key contributor to the regional economy.



In partnership with Kailash Satyarthi Children's Foundation, ELC works to empower children and develop sustainable solutions to supply chain challenges in the mica mining areas of Jharkhand and Bihar.



In 2005, we partnered with local non-governmental organization (NGO) Bachpan Bachao Andolan, now known as the Kailash Satyarthi Children's Foundation (KSCF), to begin to address some of the issues surrounding child labor in the mica mining industry. KSCF works with local communities in the region to develop proactive and sustainable solutions to eradicating child labor in the Indian mica mining industry, including the development of Bal Mitra Grams (BMGs) or Child Friendly Villages. Through June 30, 2019, we have supported the establishment of more than 150 BMGs, which promote education as an alternative to work in mica-sourcing communities.

An effective model that has been adopted by other organizations, a BMG village seeks to ensure that none of its children work in the mica mines. To do this, BMG villages work to empower children by enrolling them in school, where they gain valuable skills including how to advocate for themselves and their peers. In addition, BMGs also aid in the formation of child assemblies, which partner with their local governments to address critical child rights and issues like gender parity and access to food and water. Overall, BMGs place child rights at the forefront of their mission, as they seek to develop the foundation for local community and economic development to benefit the entire village population.



Nobel Peace Prize Recipient Kailash Satyarthi works to eradicate child labor in the Indian mica mining industry.



Mica is used as a key ingredient in many beauty products.

We believe that it is through collaboration with local communities and organizations that we are best equipped to propose and jointly develop viable and sustainable solutions to local challenges that may exist in our global supply chains. Our partnership with KSCF demonstrates the success of this approach and has created a model for public-private cooperation that many in and outside our industry now support.

As such, we plan to continue to seek new and innovative ways of replicating this type of partnership model as a means of addressing other potential challenges across our sensitive supply chains. By listening to local communities, throughout our supply chain, we can continue to advocate and partner with those who help us create our prestige products.

*Learn more about our approach to responsible sourcing on page 24.*



# *ENVIRONMENTAL STEWARDSHIP*

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## LA MER'S BLUE HEART LEADS THE WAY ON OCEAN STEWARDSHIP

The Estée Lauder Companies uses natural ingredients to create many of our beloved products. We strive to help mitigate our impact on the natural resources we use, as well as collaborate with others to help preserve these resources for future generations.



In fiscal 2019, La Mer held a once-in-a-lifetime dive for brand influencers, led by Phillipe Cousteau, environmental activist and grandson of the famous ocean explorer, Jacques Cousteau.





With giving now spanning more than a decade, La Mer has donated more than \$5 million to ocean conservation projects and helped support the protection of 16 million miles of marine habitats across the globe.

The ocean is at the core of La Mer's DNA. As such, the brand is committed to supporting the protection of ocean habitats. Dr. Max Huber, who founded La Mer, was inspired by the ocean for its endless possibilities of hope and renewal. In tribute to his legacy, La Mer continues to use only sea kelp that is sustainably hand-harvested from protected waters off the coast of Vancouver Island, British Columbia, Canada, in its nutrient-rich Miracle Broth™, which lies at the heart of every La Mer product.

With the sea as an inspiration, La Mer supports various ocean-related nonprofit organizations and awareness-building initiatives. Grant recipients have included EarthEcho International, Oceano de Azul, ADM Capital Foundation and The Nature Conservancy. La Mer formalized its giving in fiscal 2017 with the creation of the La Mer Blue Heart Oceans Fund to support the protection of ocean habitats around the world.

In fiscal 2019, La Mer continued to help raise awareness for the need to safeguard marine resources. The brand held a once-in-a-lifetime dive for influencers from around the world, along with their children, led by environmental activist Philippe Cousteau. Dive participants experienced the beauty beneath the ocean's surface, in hopes of inspiring and igniting their passion to become advocates for ocean conservation. La Mer concurrently activated a social donation campaign to encourage consumers to join the La Mer Blue Heart mission. For every public post using the hashtags #LaMerBlueHeart or #LaMerDonation in May and June 2019, the brand donated \$25 to the La Mer Blue Heart Oceans Fund to support ocean conservation projects. A total of \$650,000 was donated through this effort.

*Learn more about our commitment to environmental stewardship on page 30.*



The La Mer beach cleanup team in action.



# *PRODUCT RESPONSIBILITY*

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## GREEN CHEMISTRY: EMBEDDING SUSTAINABILITY INTO PRODUCT FORMULATION

At The Estée Lauder Companies, we have long understood the importance of green chemistry in embedding sustainability into product formulation. We work closely with external experts, key suppliers and our innovation teams to develop next-generation products that meet the high-performance standards our consumers expect, while at the same time improving the environmental footprint of our formulas.





## AVEDA'S CHERRY ALMOND LEAVE-IN CONDITIONER SHOWCASES A GREEN CHEMISTRY APPROACH

Our formulators at Aveda understand the 12 Principles of Green Chemistry and continually strive to increase the brand's use of naturally derived ingredients. Our Cherry Almond Softening Leave-In Conditioner features a blend of cherry blossom extract, sweet almond oil and moringa oil and is 99% naturally derived as per the ISO 16128 Standard for Organic and Natural Cosmetics. We have incorporated a new technology into the product that allows it to be silicone free and high performing; this corn-derived polymer helps to give the product "slip" and a silicone feel. The conditioner is also free from parabens, mineral oil, synthetic fragrances and gluten, and it is packaged in a 100% post-consumer recycled HPDE bottle.

Aveda's goal is to ensure our products will benefit consumers through exceptional performance, while delivering our continued promise of environmental and social responsibility. We continue to make strides in our use of green ingredients and formulations, which we believe is an essential part of ensuring we honor our mission to care for the world we live in.



As we look to the future, The Estée Lauder Companies is continuing to enhance and rely on our green chemistry framework to guide the development of new formulations.

*Learn more about our approach on page 40.*



### WHAT IS GREEN CHEMISTRY?

Green chemistry is a scientific framework that seeks to reduce the negative environmental impacts of chemical products and processes. It comprises 12 design principles—such as use of safer solvents, design for degradation and use of renewable feedstocks—that can be applied to create products with reduced impact on the environment.

*Learn more about the 12 principles on the American Chemical Society's website.* [🔗](#)





# *ELC FAMILY VALUES*

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## OUR COMMITMENT TO INCLUSION AND DIVERSITY

Our family values are a driving force for how we do business and how we engage with our communities and each other. This is particularly true regarding our approach to creating a culture of belonging: one that embraces equality, inclusion and diversity. For our Company, inclusion and diversity means recognizing and valuing each and every employee as they are, so that we can all bring our best and truest selves to work each day.



We are honored to be recognized by numerous organizations for this ongoing commitment. As a company focused on women, we were particularly proud to be named the “#1 Employer for Women 2019” by *Forbes* (July 2019). A few of The Estée Lauder Companies’ characteristics highlighted by *Forbes* include:

- New and enhanced family-related programs, policies and benefits for employees in the United States, including a 20-week Paid Parental Leave Policy
- Countless career trajectories and stretch assignments available to employees around the world, with options to move between brands, regions and functions
- Mentoring, reverse mentoring and sponsorships that support and encourage career growth



Forbes #1 Employer for Women



Best Place to Work for LGBTQ Equality

We were also recognized by the Human Rights Campaign (HRC) as a “Best Place to Work for LGBTQ Equality” thanks to our perfect score of 100% on HRC’s 2019 Corporate Equality Index. It is our third consecutive year with a perfect score and the 10th time overall that we have achieved 100% in the 17 years HRC has been conducting its surveys.

## ADDITIONAL RECOGNITIONS:



Women’s Choice Awards for  
“Best Company for Women” and “Best  
Company for Multicultural Women”



Named to Bloomberg’s 2019  
Gender-Equality Index for the  
second consecutive year



Indeed’s “Top-Rated Workplaces:  
The 50 Best” list



*Fortune* magazine’s “50 Best Places  
to Work in the Fortune 500” in China,  
the United Arab Emirates, Mexico and  
the U.K. and Ireland



*Forbes*’ “Best Employers for  
Diversity 2019”



The Tyler Clementi Foundation’s  
Upstander Award in recognition of  
The Estée Lauder Companies’ support  
of the Foundation’s mission to end  
bullying in schools and workplaces





ELC Thailand supports  
The Breast Cancer Campaign

# CITIZENSHIP

## COMMITTED TO FIGHTING BREAST CANCER FOR MORE THAN 25 YEARS

Our commitment to supporting people, our communities and the environment through fundraising, volunteering and social impact programs is a guiding principle at The Estée Lauder Companies. As a global company with a portfolio of brands, we have many opportunities for meaningful engagement in citizenship causes that matter to our employees, customers and partners.

One of our most recognized and honored enterprise citizenship initiatives is The Breast Cancer Campaign (The Campaign). Founded in 1992 by the late Evelyn H. Lauder, with the co-creation of the iconic Pink Ribbon, The Campaign is our largest corporate social impact program, spanning brands, regions and functions.

The Breast Cancer Campaign has raised more than \$89 million to support global research, education and medical services, with more than \$73 million funding 293 medical research grants through the Breast Cancer Research Foundation® (BCRF). In fiscal 2019, The Campaign launched its new global call-to-action, #TimeToEndBreastCancer, with the goal of creating urgency around the need to take action now through a simple but universal message.





The donation ceremony at the Smithsonian's National Museum of American History in Washington, D.C.\*

## TAKING A PLACE IN UNITED STATES HISTORY

In fiscal 2019, artifacts highlighting the breast cancer story from The Estée Lauder Companies Archives and BCRF were accepted into the Smithsonian's National Museum of American History in Washington, D.C. Select items are now on display in "Giving in America," a long-term exhibit that looks at philanthropy's role in shaping the United States. It is part of the Smithsonian Philanthropy Initiative, which explores philanthropy's collaborative power through collecting, researching, documenting and displaying materials related to the history and impact of giving. Items include an Estée Lauder Companies' "Count Me In" petition with a pink ribbon from 1992, an Estée Lauder Companies' Breast Cancer Awareness donation card with an enamel Pink Ribbon from 1993, along with an Estée Lauder Pink Ribbon makeup compact from 1997.

*Learn more about The Breast Cancer Campaign.* [🔗](#)



The iconic Estée Lauder Pink Ribbon enamel pin

*Learn more about our approach to Citizenship on page 62.*



# *OUR COMMITMENT TO CITIZENSHIP AND SUSTAINABILITY*

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## OUR SUSTAINABLE BUSINESS PRACTICES

We are a family company focused on long-term sustainable growth, which gives us the courage and confidence to experiment, challenge and continuously learn. The way we run our business is a direct reflection of Lauder Family values: respect for the individual, uncompromising quality, ethics and integrity, and fearless persistence. We are driven by our challenger spirit to invent the future of beauty and continuously push the boundaries of possibility.

High-Touch is what sets us apart from our competitors. It means we put consumers first, care deeply about quality, are unwavering in our commitment to detail and treat others as we want to be treated. We are collaborators at heart and approach our work with open minds and a spirit of generosity.

Above all, we are committed to bringing the best to everyone we touch, from employees to consumers and to the communities in which we live and work. We are a responsible, profitable business that believes in working with our stakeholders to incorporate sustainability into every part of our business.



# FOCUS ON CITIZENSHIP AND SUSTAINABILITY

We view corporate citizenship and sustainability as an engine for innovation and growth, one linked to the creation of positive impact across our value chain. Given this lens, we formally established citizenship and sustainability as a strategic corporate priority in fiscal 2018, coordinating the myriad initiatives that had already been underway by our various brands and business units. Some, like The Breast Cancer Campaign, and our efforts to promote inclusion and diversity, employee safety and environmental best practices had been in place for decades. Our more coordinated strategic focus will help ensure that we are well positioned to address these and other long-term, high-potential opportunities in this space.

To this end, we are working to embed sustainable practices, innovation and design into more and more aspects of our business, supported by strong social and environmental commitments. In fiscal 2019, we set new and ambitious citizenship and sustainability goals to drive our strategy and we formalized internal accountability structures to accelerate performance. We will maintain and expand our leadership role in areas where we have always led from strength, such as social impact, inclusion and diversity and health and safety, and we plan to quickly advance in areas such as sustainable packaging and ingredient transparency.



## STAKEHOLDER ENGAGEMENT

Collaborating with our stakeholders provides valuable insights into our business. Through continued engagement, we can identify challenges and opportunities for our business and industry, as well as ways we can improve our performance. Our stakeholders include consumers, employees, investors, retailers, nongovernmental organizations (NGOs), suppliers, regulators and local communities.

We interact with our stakeholder, globally, through a variety of channels such as supplier and employee surveys, investor meetings and Consumer Care. We also engage with NGOs, hold industry association memberships and collaborate with universities.

ELC Executives join William P. Lauder to ring the Closing Bell at the New York Stock Exchange to kick-off The Breast Cancer Campaign and Breast Cancer Awareness Month



## MANAGEMENT APPROACH

Our citizenship and sustainability work is led by our Senior Vice President of Global Corporate Citizenship and Sustainability, who reports to the President and CEO. The Senior Vice President directs a dedicated team that leads corporate-wide sustainability strategy; citizenship efforts (including The Estée Lauder Companies Charitable Foundation and The Breast Cancer Campaign); and strategic planning and communications around citizenship and sustainability. Our Nominating and Governance Committee, comprised of members of our Board of Directors, has oversight responsibility for our Company's environmental, social and governance activities and practices, including citizenship and sustainability matters.

Sponsorship of the sustainability strategic pillar lies with our President and CEO, and the Executive Chairman. We have established the Sustainability Executive Committee, which is composed of senior leaders, including our Chief Financial Officer, the Executive Vice President of Global Supply Chain, the Executive Vice President of Human Resources, the Global Brand President for Origins and the Senior Vice President of Global Corporate Citizenship and Sustainability, along with additional representation from across brands, regions and functions, to drive our citizenship and sustainability strategy and help ensure progress against goals and priorities.

## PRIORITY FOCUS AREAS

As part of our strategic planning process, we continuously evaluate areas of risk and opportunity for our business. In fiscal 2019, we conducted a more comprehensive analysis to better define our citizenship and sustainability priority focus areas.

We mapped these priority focus areas to related Global Reporting Initiative (GRI) Standards. Throughout this report, we provide a closer look at our approach and performance related to these focus areas.

*Additional detail is included in the GRI Index on page 82.*

PRIORITY FOCUS AREAS	GRI STANDARD
ENERGY AND EMISSIONS	GRI 302: Energy GRI 305: Emissions
CLIMATE RISK MANAGEMENT	GRI 201: Economic Performance (Financial implications and other risks and opportunities due to climate change)
WASTE	GRI 306: Effluents and Waste
RESPONSIBLE SOURCING	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment
PACKAGING AND PRODUCT LIFECYCLE	GRI 301: Materials
INGREDIENT TRANSPARENCY/ GREEN CHEMISTRY	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
SOCIAL INVESTMENTS AND EMPLOYEE ENGAGEMENT	GRI 201: Economic Performance (Direct economic value generated and distributed: community investments)
ADDITIONAL FOCUS AREAS	
EMPLOYEE SAFETY	GRI 403: Occupational Health and Safety
INCLUSION AND DIVERSITY	GRI 405: Diversity and Equal Opportunity
LEARNING AND DEVELOPMENT	GRI 404: Training and Education





Skill development through LinkedIn Learning

## LEVERAGING THE POWER OF OUR PEOPLE AND BRANDS

We are an organization full of passionate people who are the key to our immediate and long-term success. Embedding citizenship and sustainability across our enterprise and brand portfolio requires that we provide our employees with the knowledge and skills to deliver on our goals.

In fiscal 2019, we curated a selection of digital sustainability courses, webinars and podcasts to enhance employees' sustainability knowledge. During Earth Month (April 2019), we distributed a newsletter to North America employees highlighting these opportunities, including a selection of LinkedIn Learning courses to promote employee skill development. In addition, we have arranged for Sustainable Packaging Coalition (SPC) on-demand training access for employees who are interested in sharpening their awareness of sustainable packaging design options.

Our brands are the face of The Estée Lauder Companies. While we have established corporate-wide citizenship and sustainability efforts, we also leverage the power and individuality of each brand as they develop or enhance their own citizenship-and sustainability-driven business practices. Their dedication and involvement are key drivers in helping us to achieve our goals. We remain committed to working with each one of our brands to establish clear and meaningful ways for them to continue to integrate citizenship and sustainability into their brand strategies.

## CORPORATE GOVERNANCE

Our Board of Directors has developed corporate governance practices to help it fulfill its responsibilities to stockholders to provide general direction and oversight of the management of the Company's business and affairs. Our Board is led by our Executive Chairman, who is a member of the Lauder family. In addition, we have an independent director who serves as our Presiding Director. A majority of the directors on our Board are independent. As of the end of fiscal 2019, there were 16 directors on our Board, comprised of: (i) our President and Chief Executive Officer; (ii) 11 nonemployee directors (10 of whom are independent); and (iii) four directors who are members of the Lauder family, including our Executive Chairman.

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

Additional information on our governance practices, and information about executive compensation matters, *can be found in our 2019 Proxy Statement.* [📄](#)

## ETHICS

We promote a culture of uncompromising ethics and integrity and put forth standards to uphold the principles and ideals that make our Company a global leader in prestige beauty. Our reputation is core to our success, and we expect our employees and suppliers to conduct business in compliance with applicable laws and regulations and with the high ethical standards and policies laid out in Our *Code of Conduct* ("Code") [📄](#) and *Supplier Code of Conduct.* [🔗](#)

Newly hired employees are required to sign an acknowledgement that they have received, read and will comply with the Code. Employees are expected to report violations or suspected violations to their supervisor, Human Resources, Global Compliance or other Corporate functions. In addition, employees are able to report suspected violations anonymously by calling our toll-free helpline or sending written mail to the Audit Committee of the Board of Directors. Serious violations are reviewed by the Company's Ethics and Compliance Committee. Our Ethics and Compliance Committee, which oversees implementation of the Code, reports to the Audit Committee on a regular basis regarding the effectiveness of our Global Compliance Program.



# *RESPONSIBLE SOURCING*

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AS A GLOBAL MANUFACTURER OF PRESTIGE BEAUTY PRODUCTS, WE RELY ON A COMPLEX AND MULTILAYERED SUPPLY CHAIN OF GLOBALLY SOURCED RAW MATERIALS TO MAKE OUR PRODUCTS.

In keeping with our deeply rooted values, we endeavor to source our ingredients and materials responsibly and sustainably with attention to their potential impacts on people and the planet. This commitment also means extending opportunities to a wide and diverse network of suppliers and giving respect to the local communities in which we operate.

We continue to make progress in building an even more robust framework for responsible sourcing. We have increased the number of employees on our dedicated Responsible Sourcing team, invested in new tools to help us score and monitor our suppliers and established an ongoing process to identify and review sensitive supply chains. By strengthening and implementing policies and programs, we are continuing to build on our heritage of responsibility while deepening our commitment to our many stakeholders.



# OUR APPROACH

Our Responsible Sourcing team is part of the Company's Global Procurement function and collaborates with Research and Development (R&D), Global Corporate Citizenship and Sustainability, Packaging and Legal. The team establishes, implements and monitors environmentally and socially responsible and ethical sourcing practices to ensure performance in line with our goals and objectives.

We work closely with our brands, suppliers, industry groups and peers to continuously advance our practices. We are members of responsible sourcing organizations such as the Roundtable on Sustainable Palm Oil (RSPO), a non-profit that unites key stakeholders in the palm oil industry to develop and implement global standards for sustainable palm oil, and AIM-Progress, a forum of consumer goods manufacturers and suppliers working to promote responsible sourcing practices.

## SUPPLIER EVALUATION AND MONITORING

We hold ourselves and our suppliers to a high standard. 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. 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 continually look for ways to strengthen our Supplier Code of Conduct controls and systems and revise and update this Code as needed.

In fiscal 2019, we implemented a new process to monitor existing supplier 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.

We are in the process of integrating EcoVadis scorecards into day-to-day business practices in order to drive more sustainable procurement decisions, while positively incentivizing suppliers that align with our corporate citizenship and sustainability expectations. In fiscal 2019, we rolled out the platform to more than 150 suppliers. In the future, we plan to expand coverage of strategic suppliers while continuing to leverage the platform to onboard new suppliers and reassess existing suppliers.

### SUPPLIER SCREENING

We contract with third parties to conduct on-site audits for suppliers that we select based on criteria such as the location of the operations, type of material being sourced and the impact to our business. We also assess suppliers using the EcoVadis platform.

- Number of third-party on-site audits conducted in fiscal 2019: 51
- Percentage of new suppliers\* screened using environmental and social criteria in fiscal 2019: 100%
- Percentage of strategic suppliers\* screened using environmental and social criteria in fiscal 2019: 85%



# SENSITIVE SUPPLY CHAINS

Our products are developed from a diverse portfolio of ingredients that allows us to create some of the world's most beloved prestige beauty and personal care products. In line with our values, we take care to identify and minimize impacts to the environment and local communities during the procurement of these materials.

In fiscal 2019, we partnered with Business for Social Responsibility (BSR) to review our portfolio of more than 4,000 ingredients. Our objective was to prioritize those ingredients considered sensitive from a responsible sourcing perspective.

Based on this ongoing process, we have prioritized certain ingredients for which we are creating robust biodiversity and social action plans. For each of these ingredients, we have assigned a Procurement lead and an R&D lead to develop and implement the action plans, ensuring that we are taking a holistic perspective on maximizing plan benefits. Our efforts to identify and review sensitive supply chains build upon work already underway with regard to mica, palm oil, Australian sandalwood and other ingredients.



## MICA

Mica is an ingredient used across the globe and within many industries, including the beauty and personal care industry. While the ingredient supply chain for mica is complex due to the prevalence of child labor in its sourcing, we work closely with our suppliers and sourcing communities to address this challenge.

In 2005, we partnered with local NGO Bachpan Bachao Andolan, now the Kailash Satyarthi Children's Foundation (KSCF), to work with local communities to develop proactive and sustainable solutions to eradicating child labor in the Indian mica-mining industry, including the development of Bal Mitra Grams (BMGs) or Child Friendly Villages. As of June 30, 2019, we supported the establishment of more than 150 BMGs, which promote education as an alternative to work in mica-sourcing communities.

*See page 10 for more details.*



A closer look at the mica ingredient





We are helping support Indonesian smallholder farmers to cultivate sustainable palm oil.

SUPPORTING SMALLHOLDER FARMERS TO INCREASE AVAILABILITY OF SUSTAINABLY PRODUCED PALM OIL

Palm oil remains one of the most widely used ingredients across multiple industries including food and beverage, fuel and beauty and personal care. The creation of palm oil plantations has led to massive deforestation around the world, in particular in Indonesia and Malaysia. The RSPO and other stakeholders are working to establish a palm oil supply chain that protects native forests. Many companies such as ours have made commitments to source their palm oil supply sustainably to prevent deforestation.

In fiscal 2019, we announced a three-year partnership with chemical giant BASF, RSPO and the NGO Solidaridad to work with smallholder Indonesian palm oil farmers (farmers who own or cultivate farms that are less than 2.0 hectares of land). Approximately 40% of the world’s palm production comes from smallholder farmers who rely on it for their livelihoods and who are key stakeholders in the value chain. The project launched in Lampung, Indonesia, and targets 1,000 independent Indonesia smallholder farmers.

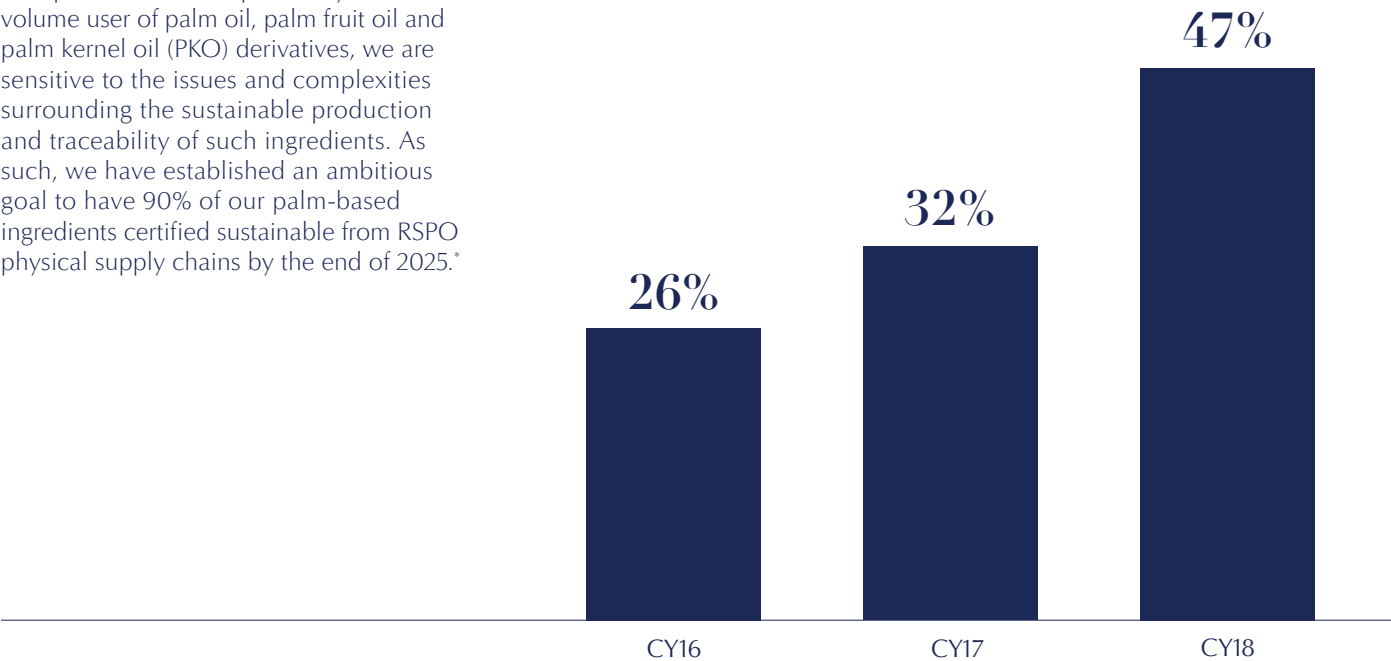
The project supports farmers to improve their livelihoods and their sustainable production of palm oil and palm kernel oil by offering continuous education and technical assistance on how to implement and maintain sustainable palm oil practices. The project’s goal is that a minimum of one-third of the supported smallholder farmers become certified according to the Smallholder Standard of RSPO at the end of three years.

We are proud to be collaborating with our partners and the Indonesian government to foster this sustainable palm oil production supply chain in Lampung, one that is free from deforestation and still competitive in the global market, while at the same time increasing the social and economic benefits for farmers.

PALM OIL

The personal care products industry represents a small amount of global palm oil usage. While we at The Estée Lauder Companies are a comparatively low-volume user of palm oil, palm fruit oil and palm kernel oil (PKO) derivatives, we are sensitive to the issues and complexities surrounding the sustainable production and traceability of such ingredients. As such, we have established an ambitious goal to have 90% of our palm-based ingredients certified sustainable from RSPO physical supply chains by the end of 2025.\*

PROGRESS TOWARDS 2025 GOAL OF 90% CERTIFIED SUSTAINABLE PALM-BASED INGREDIENTS FROM RSPO PHYSICAL SUPPLY CHAINS





## PALM OIL *(Continued)*

In 2014, the Company joined the RSPO. We communicate our progress with respect to sustainable palm oil procurement on a yearly basis through *the Annual Communication of Progress (ACOP)* [\[link\]](#) in accordance with RSPO requirements. We aim to reduce the environmental impact of palm oil by:

- Engaging with NGOs in dialogue on sustainable palm oil production and sourcing and partnering with NGOs and other companies as appropriate
- Purchasing RSPO PalmTrace Book & Claim certificates, where relevant, and managing associated audits
- Reporting annual progress of our sustainable palm oil sourcing and goal, including RSPO-related targets, to external audiences



We are proud to partner with the Dutjahn Sandalwood Oils company to source sustainable Australian Sandalwood.

## AUSTRALIAN SANDALWOOD

Aveda has long been a pioneer in the responsible sourcing of raw materials. More than 15 years ago, the brand introduced the use of Australian sandalwood (*Santalum spicatum*) essential oil as a sustainable ingredient in its products.

At the time, the brand developed a strategic relationship with the Kutkabubba Aboriginal Community and the Western Australian Government to develop sustainable and equitable wild harvest of Australian sandalwood trees for essential oil production. Aveda paid a premium on all sandalwood oil purchased from these harvesters as part of an indigenous standard.

In recent years, the community has formed a company called Dutjahn Sandalwood Oils, a 50% aboriginal-owned sandalwood oil-processing venture with a 100% aboriginal-controlled nonprofit foundation. Aveda has remained one of the biggest supporters of Dutjahn and introduced Dutjahn as a partner and supplier to many of the industry's biggest fragrance houses.

In fiscal 2019, Dutjahn was one of 22 indigenous communities from around the world to receive the United Nations Development Programme's Equator Prize, which recognizes local and indigenous organizations that showcase innovative, nature-based solutions for tackling climate change, environment and poverty challenges. The Estée Lauder Companies is proud to partner with Dutjahn, and we remain bound by our shared values of respect, learning through listening, commitment to the well-being of all those involved and to the land that sustains life.





Empowering women working within supply chains

## SUPPLIER DIVERSITY

As part of our sourcing process, we continue to expand our purchasing to a broader set of companies. We aim to grow and develop business opportunities with a more diverse set of suppliers, stimulating economic development across demographics.

One area of focus is women-owned businesses, where we are growing our pool of suppliers and increasing spend. Beyond looking at whether a business is woman-owned, we also consider the treatment of women within our supply chain and have a particular focus on empowering women who work within supply chains.

### EMPOWERING WOMEN IN THE SUPPLY CHAIN

Women represent the majority of workers in global supply chains generally. In many places, however, they remain more vulnerable to economic disparities and do not always have the same opportunities for advancement as their male counterparts.

Recognizing this disparity, BSR, an organization dedicated to helping companies advance sustainability objectives, launched the HERproject to unlock the full potential of women through workplace-based interventions on health, financial inclusion and gender equality.

Through a Train-the-Trainer model, female champions in manufacturing facilities are empowered with training on core topics, and with communication and training skills to disseminate information to their peers. This model has proven to be successful: since 2007, HERproject has been introduced in more than 700 workplaces across 14 countries and has increased the well-being, confidence and economic potential of more than 800,000 women.

The Estée Lauder Companies is the first prestige beauty company to sign on with the HERproject and is proud to usher the project's expansion into a new manufacturing context (beyond the apparel industry). We have launched HERproject with two high-performing packaging suppliers and are excited to see this work continue in fiscal 2020.



# *ENVIRONMENTAL STEWARDSHIP*

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WE ALL DEPEND ON A HEALTHY PLANET AND KNOW THAT PLANETARY WELL-BEING RELIES ON OUR COLLECTIVE EFFORTS AS ORGANIZATIONS, INDIVIDUALS AND COMMUNITIES.

We are a family company focused on long-term sustainable growth and have long been committed to reducing our environmental impact and doing our part to help protect the health and beauty of our planet for future generations. We consider this our responsibility as a global company, employer and corporate citizen.

The Estée Lauder Companies employs a strong strategy to reduce the environmental footprint of Company-owned production (manufacturing and packaging), distribution and retail facilities and plans to continue to focus on optimizing resource use and minimizing waste. In line with our values, we approach environmental management with a spirit of collaboration and innovation, recognizing no one person or group has all the answers. To address the challenges that lie ahead, we plan to continue to develop and expand on our strong partnerships and transformative innovations.



# OUR RESPONSE TO CLIMATE CHANGE

While environmental stewardship has long been a part of our operating principles, in recent years we have significantly increased our commitment to combating climate change.

FISCAL 2016

## NET ZERO GOAL

We made a public pledge to achieve a Net Zero goal by the end of 2020, which means reaching carbon neutrality across our direct business operations (Scope 1 and Scope 2).

FISCAL 2018

## 100% RENEWABLE ELECTRICITY

We signed on to RE100, pledging to source 100% of our electricity from renewable sources by the end of 2020 as part of this global corporate leadership initiative.

FISCAL 2019

## SCIENCE-BASED TARGETS

We committed to setting science-based targets covering our Scope 1, 2 and 3 greenhouse gas (GHG) emissions by the end of 2020.



### THE ESTÉE LAUDER COMPANIES SUPPORTS THE FIRST-EVER LONDON CLIMATE ACTION WEEK

Nancy Mahon, Global Senior Vice President of Citizenship and Sustainability at The Estée Lauder Companies, joined the opening panel at the inaugural London Climate Action Week, hosted by the Mayor of London, Sadiq Khan. During the event, she discussed how to accelerate action against climate change and how climate expertise in London can be harnessed and shared with the rest of the world.

ELC joined members of the business community and world leaders in New York City for Climate Week NYC 2019.



## ASSESSING CLIMATE RISK

In fiscal 2019, we conducted a climate risk assessment aligned with the Task Force on Climate-Related Financial Disclosure (TCFD). The TCFD helps companies develop voluntary, consistent climate-related financial risk disclosures for use by investors, lenders, insurers and other stakeholders.

In keeping with the TCFD recommendations, our climate risk assessment included climate scenario analysis of our facilities' exposure to physical risks, such as changing precipitation patterns. We modeled the risks according to two climate scenarios: one in which global emissions trends continue as usual and another in which emissions are aggressively mitigated and global warming stays between 0.9–2.5°C. To further align with the TCFD guidelines, we analyzed risks to our Company associated with the transition to a low-carbon economy. Based on the assessment of physical and transition risks, we are developing a road map to improve our climate risk management.

# ENERGY AND EMISSIONS

## OUR APPROACH TO MANAGING ENERGY AND EMISSIONS

Our Global Environmental Affairs and Safety team helps manage our energy use and GHG emissions. We track the progress of environmental performance for our facilities and have processes in place for regular and ongoing collection of energy metrics. We use this data to measure the efficiency of energy-saving activities across our operations, which include energy-reduction projects such as lighting retrofits, air flow and temperature management systems, occupancy sensors and equipment upgrades to decrease overall energy use and carbon emissions. Our manufacturing sites have been certified to ISO 14001 standards—a voluntary standard to drive improvement—since fiscal 2000. As part of maintaining our certification, we continuously improve our environmental and safety management and performance.

We carefully evaluate the opportunities we have for participation in external disclosure. For more than 10 years, we have responded to CDP, a non-profit organization that operates one of the longest-running environmental reporting systems for investors, companies, cities, states and regions.

Read our latest CDP Climate disclosure here: [📄](#)

### ACHIEVING NET ZERO EMISSIONS AHEAD OF TARGET IN THE U.K. AND IRELAND

In 2018, our U.K. and Ireland distribution center site implemented an LED lighting project, which was fully completed in fiscal 2019. The project resulted in new lighting installations across all areas of the site and should reduce GHG emissions by up to 75%. This distribution center is now using 100% green energy, one year ahead of our 2020 Net Zero target.

## ENVIRONMENTAL TERMINOLOGY

### CARBON EMISSIONS INTENSITY:

The amount of emissions of carbon dioxide (CO<sub>2</sub>) released per unit of another variable such as gross domestic product (GDP), output energy use or transport.

### CARBON FOOTPRINT:

The total amount of GHGs that are emitted into the atmosphere each year by an individual, group or location, such as a company, building or organization.

### CARBON NEUTRALITY:

Carbon neutrality means every ton of CO<sub>2</sub> emitted as a result of human activity is compensated with an equivalent amount of CO<sub>2</sub> removed (e.g., via carbon sequestration).

### NET ZERO:

Net Zero CO<sub>2</sub> emissions are achieved when CO<sub>2</sub> emissions resulting from human activity are balanced globally by CO<sub>2</sub> removals over a specified period. Net Zero CO<sub>2</sub> emissions are also referred to as carbon neutrality.

### RE100:

RE100 is a global campaign run by The Climate Group that encourages businesses to commit to sourcing 100% of their electricity consumption from renewable sources.

### SCOPE 1 EMISSIONS:

Direct GHG emissions occur from sources that are owned or controlled by the Company. Examples include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; and emissions from chemical production in owned or controlled process equipment.

### SCOPE 2 EMISSIONS:

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the Company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the Company. Scope 2 emissions physically occur at the facility where electricity is generated.

### SCOPE 3 EMISSIONS:

Scope 3 emissions are a consequence of the activities of the Company that occur from sources not owned or controlled by the Company. Some examples of Scope 3 activities are extraction and production of purchased materials, transportation of purchased fuels and use of sold products and services.

### SCIENCE BASED TARGETS:

Targets adopted by companies to reduce GHG emissions are considered "science based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.



Managing Our Portfolio

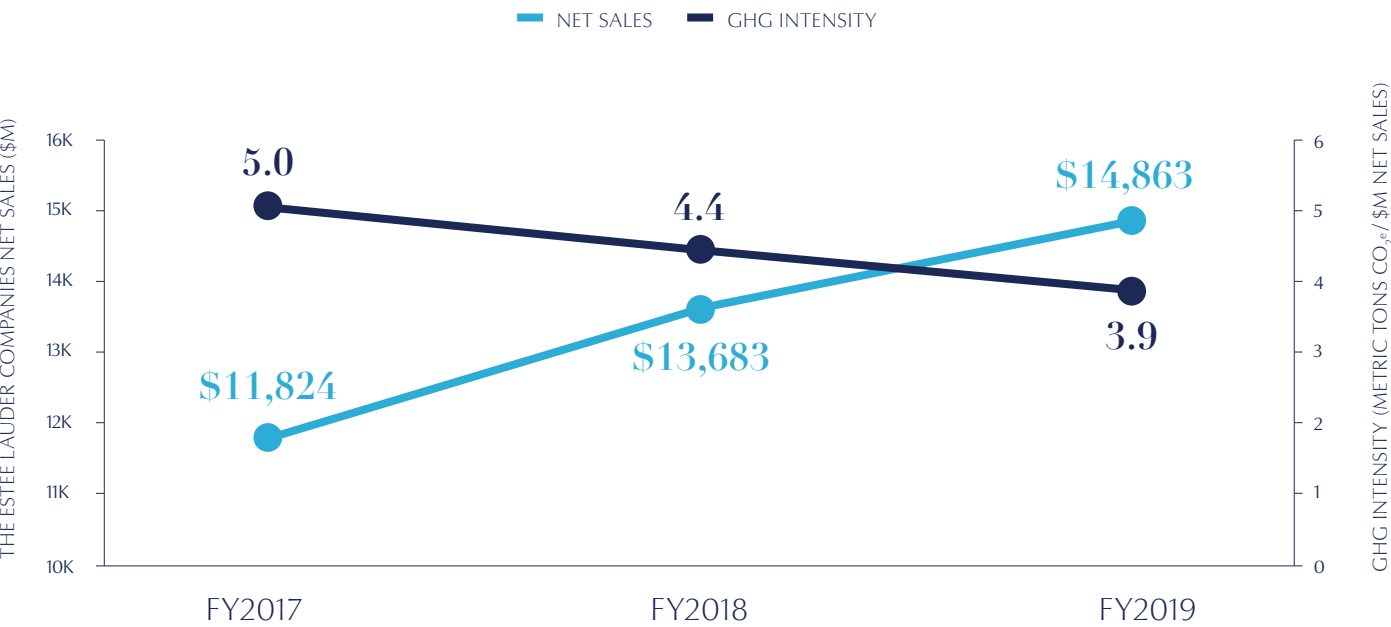
The Estée Lauder Companies has adopted a portfolio approach to reducing GHGs, including the use of on-site renewables, energy efficiency, green utility contracts and renewable energy credits. In support of our 2020 Net Zero goal, we established an annual dedicated capital fund to support low-carbon sustainability initiatives. We have created a Net Zero Steering Committee, composed of senior leaders from various functions, that drives our emissions-reduction strategy and governs the investments we make to achieve the Net Zero goal, such as renewable energy investments.

We strive to invest in technologies that have the potential to positively impact the planet while meeting our business objectives. In some instances, this means our investments are made in projects beyond our own organization. Our Net Zero Steering Committee evaluates where we can use our capital to advance energy alternatives to fossil fuel.

ENERGY AND EMISSIONS PERFORMANCE

In fiscal 2019, while we experienced an increase in absolute emissions from our owned and operated facilities due to increased manufacturing, we reduced our GHG emissions by more than 5% through a combination of renewable energy utility contracts, renewable energy certificates and on-site solar. We also continued to reduce our carbon intensity (emissions per dollar of revenue), demonstrating a decoupling of economic growth and environmental impact.

SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS INTENSITY



*The Estée Lauder Companies continues to deliver outstanding business growth while reducing its carbon intensity for every dollar of revenue, illustrating that the decoupling of business performance and environmental impact is possible.*





Harnessing solar energy at our Whitman, U.K., facility

## Renewable Energy

Diversification is an important strategy for business success, and we apply the same thinking to our approach to renewable energy. In response, we are building a portfolio of projects that reflects a wide variety and scope of renewable technologies and approaches, including ground-mounted and rooftop solar, wind energy and more.

We also purchase renewable energy credits (RECs). Through RECs, we can offset our own emissions by funding the generation of renewable energy through other projects, including through power purchase agreements (PPA). In a PPA, a company enters a financial arrangement with a renewable energy project developer to buy and receive the environmental—and often the financial—benefit of that energy production. These agreements are done in collaboration with other companies, allowing projects to be financed at a scale that allows for significant impact.

### LOCAL RECOGNITION: CITIZENS CAMPAIGN FOR THE ENVIRONMENT

In fiscal 2019, The Estée Lauder Companies was honored by the Citizens Campaign for the Environment, an advocacy organization dedicated to advancing positive environmental efforts in New York and Connecticut through public policy. In particular, we were recognized for our dedication to fighting climate change by investing in clean, renewable energy.






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#### PETERSFIELD, UNITED KINGDOM

One of our initial major investments in support of our Net Zero goal was the installation of a 1 megawatt (MW) on-site solar system at our Petersfield-based manufacturing plant (Whitman Laboratories) in fiscal 2016. This system should provide 12-14% of the manufacturing site's annual electricity requirements and up to a peak of about 95% during sunny days in the summer months. In fiscal 2019, we generated 815 megawatt hour (MWh) of solar, saving 483 metric tons of carbon dioxide (CO<sub>2</sub>)—the equivalent of powering 268 homes in the United Kingdom year-round.

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#### MELVILLE, NEW YORK

In fiscal 2019, we began construction on a new 1.4 MW ground-mounted solar array at our Melville, New York, site. This project should produce more than 1,800 MWh annually of solar power from more than 3,300 panels and is expected to offset the release of 1,300 metric tons of CO<sub>2</sub> into the atmosphere annually.

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#### BLAINE, MINNESOTA

In fiscal 2020, we are planning to build a 900 kilowatt (kW) ground-mounted photovoltaic solar array at our Blaine, Minnesota, manufacturing plant. The system should generate more than 1,500 MWh of solar power and reduce GHG emissions by more than 1,000 metric tons annually.

### Investing in On-Site Solar

One of the ways we reduce our overall carbon footprint is by investing in solar at our local sites. Building upon existing solar arrays at our facilities in Petersfield, U.K.; Blaine, Minnesota; Melville, New York; and Lachen, Switzerland, we have committed to further increasing our solar investment and have assessed the capacity of additional facilities to accommodate solar power.

The United States Environmental Protection Agency (EPA) recognizes U.S. companies and institutions that use green power through its "Green Power Partnership." The Estée Lauder Companies is ranked 10th among retailers on the 2019 rankings.

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#### MARKHAM, CANADA

We are building a new manufacturing facility in Markham, Canada. In fiscal 2020, we plan to install solar panels and battery storage at this site in support of our commitment to renewable energy.

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#### GALGENEN, SWITZERLAND

In fiscal 2020, we are planning to install a rooftop photovoltaic solar array on the main structure of a new distribution center we are building in Galgenen, Switzerland. The 1 MW system should generate more than 900 MWh of solar power and reduce GHG emissions by 500 metric tons annually.

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Our LEED certified office at One Fitzroy London, United Kingdom

## GREEN BUILDINGS

### SUSTAINABILITY IN THE OFFICE AND RETAIL ENVIRONMENT

The Estée Lauder Companies' office buildings and retail stores present a tremendous opportunity for environmental stewardship. As many of these facilities are leased, we do not always have the same ability to implement programs and changes as freely as at our owned sites. However, we are working with our landlords and internal teams to create best practices for green building management.

We developed High Performance Building Guidelines in fiscal 2017 to help ensure environmentally sound practices during planning, construction and pre- and post-occupancy phases for manufacturing, retail and office spaces globally. Building on this work, in fiscal 2019, we updated the guidelines and took important steps to further understand how we can influence and improve our office and retail operations.

We have established a Green Buildings Committee and aligned priorities across functions including Environmental Affairs and Safety, Office Services, Retail Design Development Center, Corporate Real Estate and Global Corporate Citizenship and Sustainability. We also identified and prioritized buildings and sites where we are targeting certification, including LEED (Leadership in Energy and Environmental Design), the most widely used building certification program for environmental management and WELL (a certification standard for ensuring the health and well-being of a building's occupants). In addition, we benchmarked our portfolio of U.S. retail stores in the EPA's online energy management and tracking tool, ENERGY STAR™ Portfolio Manager. By benchmarking our stores, we can understand how they are performing, recognize high performers and find opportunities for improvement.





## Green Building Certification

We are currently pursuing LEED Certification for the construction of our new facility in Canada. The LEED Canada Green Building Rating System is a set of performance standards for certifying the design and construction of commercial buildings. The intent is to promote high-performance, healthful, durable, affordable and environmentally sound practices in building design and construction.

Our 144,000 square foot U.K. and Ireland headquarters office, One Fitzroy in London, has been built to a BREEAM Excellent standard and was previously awarded the prestigious British Council for Offices Award for Fit Out of Workplace and World Interiors News Award for Best Workspace Interior. BREEAM, or the Building Research Establishment Environmental Assessment Method, provides a long-established methodology to assess, rate and certify building sustainability.



Le Labo's custom printed labels

## LIVING SUSTAINABILITY AT LE LABO

Le Labo has been creating and selling fine fragrances since 2006. It has also been implementing sustainable practices since its founding.

For example, Le Labo fragrances are freshly hand-blended on demand in its free-standing boutiques, with custom labels printed on-site, a practice that minimizes waste and reduces impacts from off-site manufacturing. Customers are encouraged to bring in their empty fragrance bottles for in-store refills, for which they receive a 20% discount. The brand's primary packaging is made of recycled and/or reclaimed materials, where possible, and secondary packaging is recyclable and made with recycled materials.

Le Labo's sustainability ethos also extends to its store and office experiences. The brand uses limited printed collateral and promotional materials and only has permanent merchandising fixtures for display purposes. In both its stores and offices, floors are made of reclaimed wood and the furniture and light fixtures are vintage. Le Labo does not use any disposable serve ware or plastic bottles at its Williamsburg, Brooklyn, headquarters in New York, instead supplying glass jars for use at its filtered water station. Employees also embrace a no-printing philosophy, and all paper items used on-site are made of recycled paper.



Le Labo candles are hand-poured into recycled tins.





ELC employees at our Melville, New York facility

## WASTE

Our manufacturing operations produce myriad luxury products for our consumers around the world to enjoy. At the same time, they also generate waste as a by-product of manufacturing, which we take careful measures to manage responsibly. For example, we are committed to our goal of achieving zero waste to landfill for all global manufacturing and distribution sites by the end of 2020.

Our Global Environmental Affairs and Safety team is responsible for implementing our waste-reduction and recycling efforts. Since fiscal 2003, we have had a no waste-to-landfill commitment for all of our manufacturing and distribution sites in the United States, Canada, United Kingdom, Belgium and Switzerland. If waste cannot be recycled, it is converted to energy by licensed power plants.

In fiscal 2019, we conducted preassessments at four manufacturing and distribution sites for zero waste-to-landfill certification according to the UL standard 2799, a global certification standard for waste management. In fiscal 2020, we plan to conduct additional preassessments for the zero waste-to-landfill standard at select manufacturing facilities.

### Zero Waste Teams

Our employees are often our greatest ambassadors when it comes to championing environmental efforts. Many of our sites have local teams to address waste-management efforts and help meet our zero waste commitment. These Zero Waste teams comprise members who educate and engage employees on the importance of reducing and preventing waste across the areas of office, production, distribution, labs and home.

For many years, the Zero Waste teams in Blaine, Minnesota, have pioneered employee-led approaches, driving campus initiatives forward to improve waste-management performance. New hire orientation includes formal zero waste education with refresher training offered annually. In addition, the teams organize group activities and campus initiatives, including the recyclable nitrile gloves program, R.O.S.S. (Recycle Old Superfluous Stuff) and one-day waste-sort events.

In fiscal 2019, our Green Team at our Kites Croft distribution center in the United Kingdom repositioned its waste bins to help better segregate and separate waste streams, implemented paper-saving projects and worked with waste management system vendors to create education programs for employees.

### DISPLAYING OUR EFFORTS

As we integrate sustainability across our business, we are not only looking at how we manufacture our products, but also evaluating and enhancing how we promote and showcase those products. In fiscal 2019, the North American Retail Design Development Center advanced the Company's efforts to develop more sustainable displays for retail stores as an innovative way to eliminate waste.

As part of our sustainable display initiative, we are exploring a number of avenues for improvement. This includes implementing display take-back programs with retailers, creating partnerships with retail outlets and free-standing stores and increasing the total recyclability of our displays. We have already eliminated litho-mounted materials and gold metal plating on most displays, both of which prevent recycling.

Our approach is to understand our impacts at each step of the process—from our designers, to third-party manufacturers, to disposal at the retail level—so that we can take a holistic approach to improving our displays.

*Retail* | DESIGN  
DEVELOPMENT  
CENTER



## WATER

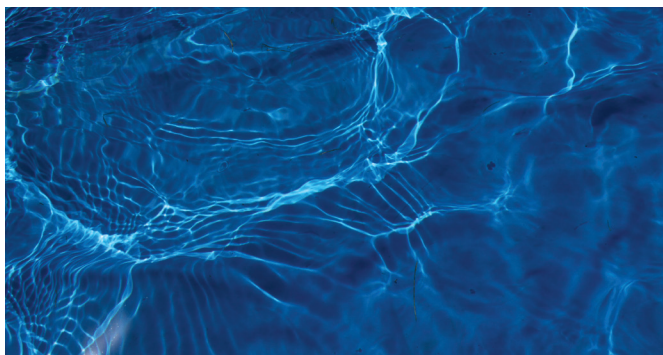
Water conservation is an important element of any environmental management program. We use water as an ingredient to make our products, as well as for cleaning and cooling manufacturing equipment. In addition, our Research and Development and Quality teams rely on water to perform testing, analysis and to develop new products.

Our Global Environmental Affairs and Safety team looks for ways to reduce water use across our business. In fiscal 2019, we conducted an external water risk assessment using the World Resources Institute's Aqueduct global water risk mapping tool, along with global subject matter expertise, to assess physical, social and regulatory water risks at a basin level. This assessment helped us increase our understanding of our water risk, including water quantity, availability and quality. We also assess our suppliers' performance across a range of environmental issues, including measures suppliers have in place regarding water management.

### Water Conservation in Action

At our production facility in Blaine, Minnesota, we implemented several water-saving initiatives after a water-conservation study was conducted in fiscal 2017. The initiatives saved more than 5,300 cubic meters of water per year. In fiscal 2019, we conducted another study with the University of Minnesota and identified additional opportunities including upgrading purification systems and replacing the types of nozzles used in our sanitation areas.

We have also begun to plan the construction of a new chiller system at our Melville, New York, facility, which was identified as a water-stressed location during our water risk assessments. Currently, the existing system derives most of its cooling from water extracted from two open-loop groundwater wells. We plan to replace the existing chillers with a new closed-loop chilled water-distribution system, which will eliminate groundwater use. The proposed solution means we will no longer utilize the geothermal wells, resulting in a significant decrease in total water withdrawal.



### CELEBRATING EARTH MONTH, IN APRIL AND BEYOND

Our celebration of Earth Month clearly shows the spirit and passion of our employees. In April each year, employees across our global operations, retail and office locations spearhead local initiatives to make a difference in their communities.

For example, in fiscal 2019, teams organized trash-collection outings, tree-planting initiatives, awareness days and fundraising efforts for local and global environmental organizations. Earth Month efforts are employee driven with the full support of management.

In fiscal 2019, we also curated a selection of sustainability-related LinkedIn Learning courses to encourage employees to take Earth Month beyond April. When employees enhance their knowledge and develop new skills to support our sustainability goals, we are better positioned to drive positive social and environmental impact across our business and in the communities where our employees live and work.



Origins employees celebrate Earth Month



# *PRODUCT RESPONSIBILITY*

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BRAND-LED PRODUCT INNOVATION IS AT THE CORE OF OUR BUSINESS. WE ARE FOCUSED ON CREATING THE WORLD'S MOST BELOVED PRESTIGE BEAUTY PRODUCTS WITH NOTICEABLE, MEANINGFUL BENEFITS TO OUR CONSUMERS AND DELIVERING THEM IN A HIGH-TOUCH AND PERSONAL WAY.

Consumers around the world trust our brands to deliver the best beauty performance and to do so safely. Our multidisciplinary expertise in advanced technologies and the intersection of physics, chemistry, biology and engineering enable our brands to benefit from the latest scientific breakthroughs and help to ensure the quality and safety of our products.

When formulating our products, we never compromise on safety and always keep the highest expectations of luxury and performance at the forefront of our thinking. Our integrated global R&D network continuously collaborates to help discover and advance the most modern, scientific cosmetic testing methodologies in the world.





# PRODUCT FORMULATION

As the leader in prestige beauty, we use the highest-quality ingredients and tap into the deep expertise of our scientists and researchers to create innovative formulations. We select ingredients based on a number of factors, including their safety, efficacy and sustainability, while also responding to shifting consumer preferences and needs. For example, we offer a broad range of products including those geared to consumers looking for natural or vegan ingredients or formulations for sensitive skin. We strive to maintain a balanced portfolio that meets the needs of all of our consumers.



Working on product formulation in Melville, New York

We believe in advancing best practices within the industry to further our collective knowledge of cosmetics and personal care product ingredients. Through our membership in the Personal Care Products Council, The Estée Lauder Companies supports the work of the Cosmetic Ingredient Review, an independent, non-profit scientific body that was established in 1976 to assess the safety of cosmetic ingredients used in the United States. We also support the International Cooperation on Cosmetics Regulation, an international group of regulatory authorities working to promote the harmonization of regulatory standards within the personal care and cosmetics industry.

We work continuously to meet the standards put forth by global governmental, regulatory and scientific bodies, as well as our own exceedingly high quality and safety assurance standards. We will continue to comply with regulations regarding the ingredients used in our products, ensuring our overarching commitment to product safety.

## SUPPORTING A MODERN APPROACH TO FDA OVERSIGHT

In March 2019, the *Personal Care Products Safety Act* was introduced in the United States Congress. This bipartisan legislation aims to protect consumer health and strengthen the Food and Drug Administration's efforts to regulate ingredients in personal care products.

The Estée Lauder Companies supports these efforts and believes that updates to U.S. regulation of the personal care products industry are needed. Standing hand-in-hand with similar companies in our industry to advance increased oversight of ingredient safety is good for both consumers and for business.



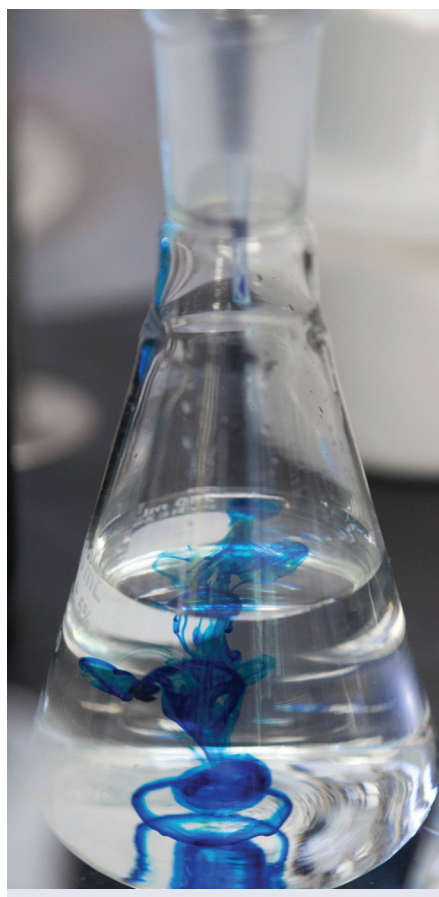
# PRODUCT SAFETY PHILOSOPHY AND PROCESS

Consumers around the world trust our brands to deliver the best beauty performance and to do so safely. All of us at The Estée Lauder Companies consider this a top priority and work every day to deliver on that promise. We evaluate our products at every stage of development to ensure they meet the highest standards for safety and efficacy.

Our integrated global R&D network works together to help discover and advance the most modern, scientific cosmetic testing methodologies in the world. We evaluate products using a full suite of tests including, but not limited to, stability, sensory and clinical tests, as well as ophthalmologist and safety-in-use testing. We constantly explore new technology and in fact, more than 20 years ago, we began using synthetic skin technology to evaluate the effects of products on human skin.

What we and others in our industry helped establish so many years ago—and what we continue to share widely today—is that product safety for cosmetics can be determined via nonanimal, modern scientific evaluation and methods. We achieve this by leveraging deep knowledge of toxicology, skin biology, both historical and current data and evaluations of cosmetic ingredients, while utilizing the most modern scientific methodologies, *in silico*, *in vitro* and clinical.

## SAFETY REVIEW PROCESS



# 1

When we first start to consider using an ingredient, we evaluate it to be sure that it meets our safety standards and the requirements of governmental, regulatory and scientific bodies around the world.

# 2

Once we determine that an ingredient meets our standards, we study all aspects of the ingredient, including its chemistry along with other scientific and biological data. If needed, experiments are conducted in state-of-the-art *in vitro* tests and/or computer-based models to refine our understanding of the ingredient's safety profile. We use this information to formulate our products, taking into account the ways our products are intended to be used by our consumers.



*For up-to-date information on our position on specific ingredients, please visit our website. [🔗](#)*





3

We then evaluate the safety of the cosmetic formula itself, to assure the safety of the ingredients when they are combined. The initial evaluation compares the new cosmetic formulation to other similar formulas within our extensive database of clinical and safety data. We have gathered this data over decades; it captures our vast experience in developing safe cosmetics. If needed, we may conduct additional confirmatory clinical safety testing among consumer volunteers or *in vitro* safety tests of the formula.

4

Once the cosmetic formula meets our global safety and quality standards, it is placed on the market for our consumers to enjoy. However, this is not the end of the safety assessment process for our scientists. We continuously listen to feedback from our consumers, allowing us to understand and watch our products as they are being used.



## ANIMAL TESTING

More than 30 years ago, The Estée Lauder Companies was one of the first cosmetics companies to eliminate animal testing as a method of determining cosmetic product safety. We don't test our products on animals, and we don't ask others to test for us. We acknowledge our brands are sold in countries where animal testing on cosmetics or cosmetic ingredients is required by law.

As a global company dedicated to bringing many of the beauty industry's most beloved products and experiences to our consumers in about 150 countries and territories, we believe it is our responsibility to contribute to the sustainable solution to end animal testing for cosmetics. Through strong partnerships, sharing our science and engaging with our communities in a meaningful way, we can contribute to the global end of cosmetic animal testing.

We are proud to work with organizations that have a proven track record of advocating for practical solutions and acceptance of alternatives to cosmetic animal testing. We invest in university research programs, industry consortiums and nonprofits that champion a collaborative and effective approach.

*Please visit our Viewpoints page for more information.* [🔗](#)





## APPLYING THE PRINCIPLES OF GREEN CHEMISTRY

We believe in embedding sustainability into product formulation. We have long understood that green chemistry is an important part of this approach, and we recognized many years ago that the principles of green chemistry would play an important role in the future of our business. This work is ongoing; we have been establishing our process carefully over time as both the science and our business evolve and transform.

Applying green chemistry principles requires a multilayered and collaborative approach. A decade ago, we began working with external experts to design and pilot a green chemistry assessment and support program. This collaboration helped ensure that our methodology was valuable to our business and our consumers. In addition, it allowed us to monitor the evolution of green chemistry and helped us begin to understand the expectations of our stakeholders.

Our early work has led to the development of our proprietary design tool, which we are now validating. The tool will help us evaluate raw materials through the lens of environmental, ecotoxicity and human health impacts. We plan to roll out this tool across our business, so that in the future we can:

- Enable our chemists and formulators to better understand the environmental and sustainability implications of their choices and allow them to make comparisons among alternatives in a systematic way
- Establish a baseline for our existing portfolio by product subcategory to enable us to benchmark progress and develop clear enterprise improvement targets

In addition to the work underway internally, we are members of the Green Chemistry and Commerce Council (GC3), a multistakeholder collaborative that drives the commercial adoption of green chemistry by catalyzing and guiding action across industries, sectors and supply chains.



Refillable and recyclable Tom Ford bottles

## RESPONSIBLE PRESTIGE PACKAGING

Ours are some of the world's most beloved brands, and the iconic packaging of our products is often the first High-Touch moment experienced by our consumers. Packaging not only protects our products but also delivers the design standard and aesthetic that our consumers have come to expect.

As we continue to innovate our prestige and luxury packaging, we are incorporating more sustainable concepts into our designs and execution. We're evolving our packaging approach to incorporate circularity—reducing resource use from the outset and finding ways to capture waste as input to new materials. We believe our track record of innovation and creativity can advance solutions for our consumers and also promote progress in the personal care and cosmetics industry as a whole.



Le Labo refillable fragrance

## OUR APPROACH TO PACKAGING

Responsibility for packaging lies with our Global Packaging Development team, which collaborates with a variety of areas of the business, including Procurement, Environmental Affairs and Safety and Global Corporate Citizenship and Sustainability. Most brands have an assigned packaging developer dedicated to championing sustainability and ensuring the brand is up to date on the most relevant and innovative design principles. We are also in the process of formalizing a tool that all brands can use to embed the practices of sustainable packaging design across their product portfolios.



Reducing Environmental Impact

Our Global Packaging Development team is focused on reducing potential environmental impacts throughout the packaging lifecycle. We are improving packaging recyclability, increasing recycled content in packaging and reducing GHG emissions associated with packaging materials. The release of our ambitious packaging goals in fiscal 2019 speaks to our ongoing commitment.

*See page 9 for goal details.*

SUSTAINABLE PACKAGING IN ACTION

*Elimination/Reduction:*  
Estée Lauder and Clinique brands have reduced the use of leaflets.

*Low-Impact Sourcing:*  
M·A·C and La Mer both source their forest-based fiber folding cartons from a leading sustainable paper mill, and many other brands are transitioning to the same supplier.

*Bio-Sourcing and Recycling:*  
Aveda has introduced packaging elements such as tube sleeves and tube heads, which are composed of post-consumer content and bioplastic (which is 96% plant derived and 4% fossil-fuel based). The brand also includes 100% post-consumer recycled HDPE in the majority of its shampoo, conditioner and styling product bottles.

Elements of our approach include:

ELIMINATION/REDUCTION

We identify opportunities to reduce or eliminate packaging.

RECYCLABILITY

We identify opportunities to use recyclable packaging and substitute some part of virgin content for recycled content.

LOW-IMPACT SOURCING

We consider sustainability in purchasing decisions, along with quality, price and innovation.

BIO-SOURCING

We take advantage of advances in bio-sourced materials, especially replacements for oil and gas-derived plastics.

MATERIAL SUBSTITUTION

We use components made from less carbon-intensive materials.

REUSE/REFILL

We explore ways to provide consumers with the opportunity to reuse packaging by offering product refills.

RECOVERY

We identify opportunities to implement take back and recovery programs for product packaging.

# INNOVATING TO CREATE SUSTAINABLE LUXURY PACKAGING

We believe it is important to work towards a more circular economy in which packaging is designed to be disassembled and reused. We know that collaborating with others is key to addressing the issues related to sustainable luxury packaging. We are engaging with companies, academia and consortiums to help further our collective understanding of how to build a new packaging ecosystem for the benefit of everyone involved.



## Partnering with Industry

In fiscal 2019, we joined the Circular Economy 100 (CE100) program, run by the Ellen MacArthur Foundation. This platform brings together leaders and innovators in business, governments and academia to contribute to society's transition to a circular economy. CE100 membership offers The Estée Lauder Companies' employees access to the CE100 Learning Portfolio, an array of professional learning resources and tools. Employees can also refer to a portfolio of recommended online and residential courses delivered by universities and external learning providers.

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.



## Partnering with Academia

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

We are also working with Georgia Tech University to conduct lifecycle analyses on select products in our portfolio. The data collected by Georgia Tech will be made available to the Eco Invent platform.

### COLLABORATE AND EDUCATE

We are proud to be a founding member of the Sustainable Packaging Coalition (SPC), which brings together businesses, educational institutions and government agencies to collectively strengthen and advance the business case for more sustainable packaging.

In fiscal 2019, the SPC facilitated a full-day on-site training for more than 100 of our employees involved in the packaging process. Topics included integrating sustainability into a brand, optimizing design, designing for recovery, sourcing sustainably and understanding how packaging fits into a larger sustainability context. In addition, through the SPC, we have launched an online learning platform open to all employees with training courses on topics such as the essentials of sustainable packaging, composting, bioresin and ocean plastic.



# *ELC FAMILY VALUES*

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THE GLOBAL PRESTIGE BEAUTY INDUSTRY IS FAST-PACED AND HIGHLY COMPETITIVE, AND SUCCESS DEPENDS ON AN ENGAGED AND ENERGETIC WORKFORCE.

The Estée Lauder Companies has consistently delivered above-market performance, results that would not be possible without our dynamic and talented employees around the world.

ELC Presidential Management  
Associate Program Employees



Our workforce is composed of the most unique, diverse and creative people in the industry. We do not just place a high value on individuality, we seek, cultivate and celebrate it. Collectively, our diverse skill sets and talents are pivotal to our success.

We strive to provide our team members with a workplace that is safe, supportive and inclusive, with opportunities for growth and advancement throughout their careers. We believe deeply that all of our employees should feel a sense of belonging, and we have long been committed to providing a culture that celebrates our differences and unites us together in a common purpose.



# OUR CULTURE

We are a family company focused on the long term. Our unique culture encourages collaboration and compassion while spurring employees to challenge and change. As a strong and interconnected ELC family, we are rooted in the Lauder Family values of respect for the individual, uncompromising ethics and integrity, generosity of spirit and fearless persistence.

Through our “Leadership from Every Chair” philosophy, each employee is empowered to lead, regardless of where they sit. This approach is an extension of our belief that all viewpoints and opinions can add value and that everyone deserves to be heard.



*Read more about our culture and values on our website.* [🔗](#)





Bringing employees together through the #ELCFamily event

## COMMUNICATING WITH OUR EMPLOYEES (#ELCFAMILY)

An inclusive culture depends on open and regular communications with our employees. We use several internal communications channels to achieve this goal, including our global MyELC Intranet, employee interactive apps and social media tools, town hall meetings, global roundtables, newsletters, e-mails and videos.

Our Executive Leadership Team and our Strategic Deployment Group, both of which include business leaders from across brands, regions and functions globally, keep the entire organization informed about our key priorities and provide regular updates on business performance. At the same time, managers and senior leaders have opportunities to receive feedback, hear ideas and understand the concerns of the employees who are driving and supporting our business each day.



## EMPLOYEE BENEFITS

Compensation is more than just a paycheck, and we strive to provide compensation packages that reflect the total value we place on our employees. We offer full-time employees a competitive benefits package that includes health, survivor and wellness benefits and retirement savings plans.

In fiscal 2019, we enhanced our family-related benefits for eligible U.S. employees to include 20 weeks of paid parental leave, a back-to-work flexibility program and an assistance program to reimburse employees for up to \$10,000 of qualified expenses related to the adoption of a child—regardless of an employee's gender, marital status or sexual orientation. These benefits recognize that families are diverse and reinforce our belief that all definitions of family are equal.

## MEASURING OUR ENGAGEMENT

We conduct formal company-wide employee-engagement surveys to gather feedback, measure engagement levels and capture the general mood of the organization. Overall, survey results reveal that we have a strong and positive culture with highly engaged employees. In fiscal 2018, our top opportunities for improvement were employee recognition, work/life harmonization and careers and development. After action planning against these areas at the enterprise level, we conducted a fiscal 2019 pulse survey about these themes and saw the most significant improvement in the areas of employee recognition and flexible work opportunities. Areas that require additional attention are short-term career advancement and work-life harmonization. Our global leaders continue to work with brands, regions and functions to help develop action plans to address areas for improvement for local deployment.







## INCLUSION AND DIVERSITY

We are committed to promoting and maintaining an inclusive culture, one where each individual is welcome and valued. We believe that diversity—of background, culture, nationality, ethnicity, race, experiences, perspectives and more—fuels innovation and creativity and helps us develop a stronger connection to our consumers and each other. We have a proven track record of driving awareness and acceptance around the world and will continue to stand up for the rights of individuals in the workplace and beyond.

These are not merely empty gestures—they reveal the core of our identity as a company—further underscored by the longevity of our Inclusion and Diversity function, which has been in place since 2004. Employees polled during our last engagement survey were asked to list the three words they associated most with The Estée Lauder Companies, and the top words were: *family*, *diversity* and *inclusion*. We are proud of this association made by our employees and remain committed to leading the prestige beauty industry forward in this important effort.

*For more information please see page 16*

### REPRESENTATION AT EVERY LEVEL

**28.3%**

Of technical employees\* are female

**46.3%**

Of employees in senior management are female

**43.8%**

Of our Board of Directors are female



## OUR APPROACH TO INCLUSION AND DIVERSITY

Responsibility for inclusion and diversity lies with our Chief Inclusion and Diversity Officer, reporting to the Executive Chairman, William P. Lauder, who oversees the execution of programs globally. The position has been in place since 2004, reflecting our long-standing commitment to this important area of our business.

The Global Diversity Council provides further support and is composed of 16 of our most senior leaders and co-chaired by our Executive Chairman and our President and CEO. This council meets quarterly and oversees the execution of the inclusion and diversity strategy that is set by the global executive leadership team.

We also have Inclusion and Diversity Champions within our brands, regions and functions who help drive the global agenda, promote local activities and initiatives and oversee inclusion and diversity efforts within their area of responsibility. Underscoring our deep-seated culture of inclusion and diversity, these employees hold their champion role voluntarily and are not part of the formal Inclusion and Diversity organization.

Support from all levels of the organization drives us to achieve our vision to be the most inclusive and diverse prestige beauty company in the world, with global recognition as the employer of choice for diverse talent and the brands of choice for diverse consumers.

### LEADING FROM THE TOP

Our President and CEO has signed the CEO Action for Diversity and Inclusion Pledge, publicly committing the Company to support a more inclusive workplace for employees, communities and society at large. Through commitments such as this one, we continue to take a leadership position in the business community and reinforce our belief in the importance of collective action on diversity.

## Education and Training

As a learning organization, The Estée Lauder Companies has numerous initiatives in place to promote inclusion and celebrate diversity on a global level. We provide education through a mix of in-person trainings, e-learning and other digital technology, such as:



### HIGH-TOUCH INCLUSION

Our foundational in-person training focuses on enhancing self-awareness and valuing different perspectives. More than 11,000 employees in 21 countries have participated in High-Touch Inclusion to date. In fiscal 2019, we continued to roll out and conduct “Train the Trainer” sessions, so that the seminar can be delivered in local languages by employees serving as facilitators from across various business functions.

### UNCONSCIOUS BIAS

In fiscal 2019, we developed a digital version of the Unconscious Bias seminar to reach a greater number of global employees. We are working to incorporate the Unconscious Bias program into the mandatory training for our global retail teams.

### INCLUSION AND DIVERSITY WEEK

First launched in fiscal 2014, our Inclusion and Diversity week has grown to become a highly anticipated employee-driven initiative during which local events are held around the world to encourage, promote and foster a culture of inclusion and diversity. In fiscal 2019, our theme was “The Beauty of Belonging,” which was celebrated at 100 events in 25 locations globally. During the week, we held a contest in which we asked employees: “What does Belonging Mean to You?” and encouraged them to submit responses via our online platforms.





Jane Hertzmark Hudis speaks with the Women's Leadership Network

## EMPLOYEE RESOURCE GROUPS (ERGS)

Our Employee Resource Groups (ERGs) are an important and growing component of our approach to inclusion and diversity. These groups are usually formed around a common social identity such as gender, race, ethnicity, sexual orientation, experiences, such as military service, or a life stage such as parenthood. ERGs help ignite new ideas by bringing together different employee perspectives and experiences. All ERGs are inclusive and are open for any full-time employees to join, inspired by the belief that “you don’t have to be to belong.”

Each ERG provides professional development opportunities for members, contributes to a philanthropic cause significant to the group and aligns with the business needs of ELC by having members participate in focus groups, advise on marketing activities or surface new business development opportunities. In fiscal 2019, there were 30 active ERGs worldwide in 11 countries with membership of more than 4,500 employees globally.

*Learn more about ERGs [here](#).*

## WOMEN'S LEADERSHIP NETWORK

As a company founded by a woman and with women comprising the majority of our workforce, we take pride in encouraging and inspiring women to lead. One of the cornerstones of our approach is our Women's Leadership Network (WLN), one of our largest ERGs.

The mission of the WLN is to support, encourage and engage all women across the Company to reach their full potential to emerge as true leaders both personally and professionally. The WLN provides opportunities for women to better leverage and expand their resources, knowledge and professional insights to drive personal and business success on a global level. In addition, the network's mentorship program helps to empower women and to create a culture of leadership and collaboration.

Throughout the year, the WLN sponsors events and discussions for all employees. These include in-person panel discussions with senior female leaders and profiles of inspiring female employees published to the intranet. In addition, the WLN created the “HerStory” series in which inspiring women from other industries come to speak to employees about their experiences as female leaders in the workplace.



## CONNECTING WITH DIVERSE CANDIDATES

Attracting the next generation of talent is a top priority, and we want to ensure that we are engaged with candidates who represent our global presence. With sales in 150 countries and territories, it is essential that we continue to have a diverse workforce that understands local relevance and the changing beauty needs of all our global consumers.

In fiscal 2019, we attended career fairs at Historically Black Colleges and Universities in the United States, including Spelman College, Morehouse College, Howard University and Clark Atlanta University. In addition, we have aligned with the following organizations and programs:

- *Howard University's 21st Century Advantage Program*: We are the first beauty company to become a corporate sponsor of the 21st Century Advantage Program, where Fortune 500 companies “adopt” undergraduate students to enhance their business skills and professional development.
- *Jopwell*: We have partnered with this innovative startup that connects companies with candidates from underrepresented groups.
- *National Black MBA Association*: We participated in the NBMBA's 40th Annual Conference and Exposition, where we highlighted opportunities and interviewed candidates.

# LEARNING AND DEVELOPMENT

We focus on creating a workplace that encourages continuous learning and development. We believe that keeping employees engaged and motivated will allow us to build the next generation of leaders for our Company.

Learning and development opportunities are available to all employees of The Estée Lauder Companies—from our newest employees to our most seasoned executives. We offer a variety of in-person and online courses that cover topics ranging from strategic negotiations to leadership. Our course portfolio now includes 18 instructor-led courses, more than 60 free online courses available in eight languages and the newest addition to our portfolio, LinkedIn Learning.



## LEADERSHIP DEVELOPMENT

We have developed a set of High Performance Leadership Competencies (HPLCs) that serve as the framework for employees to build and grow the skills, knowledge and behaviors needed to strengthen leadership capabilities. We apply the HPLCs in individual goal-setting and performance evaluations, with an emphasis on leveraging individual strengths on employees' career journeys. Each year, our President and CEO, Fabrizio Freda, reinforces the HPLCs by engaging in dialogue with employees around "Leadership from Every Chair."

In fiscal 2019, our Executive Chairman, William P. Lauder, hosted a series of educational town halls to engage employees in conversations on leadership. These discussions focused on key principles—such as leading during times of change, learning agility, resilience and creativity—that form the building blocks of the Company's future success. The audiences for the town halls ranged from senior management to high-potential young talent. To date, more than 6,500 employees have participated in these town hall conversations.



## OUR SIGNATURE LEADERSHIP PROGRAMS INCLUDE:



### The Estée Lauder Companies at Bryn Mawr

This event is held annually and has been attended by our global executives for more than 30 years. Developed by Chairman Emeritus Leonard A. Lauder, the program convenes executives at Bryn Mawr's campus in Pennsylvania for a five-day intensive learning experience focused on brand equity, leadership, strategic negotiations and strategic decision-making. Sessions are taught by highly esteemed professors and professionals from Harvard Business School, the Wharton School of the University of Pennsylvania and the Human Performance Institute.



### CEO Global Reverse Mentor Program

This program was founded by President and CEO Fabrizio Freda in 2015 based on his appreciation for the great impact the next generation of consumers were going to have on our business. This program pairs Executive Senior Leaders with high-performing, digital savvy Millennial and Gen Z employees so that they can learn from each other. We have more than 470 Reverse Mentors and more than 350 Executive Senior Leaders in 22 affiliates that actively participate in reverse mentoring. The goal is to help leaders understand the next generation of consumers while creating a global sharing network of young talent that is empowered, engaged and making an impact on the business.

### PARTNERING WITH LINKEDIN FOR ENHANCED LEARNING OPPORTUNITIES

LinkedIn Learning is one of the leading online learning platforms dedicated to helping individuals and organizations achieve their personal and professional development goals. In fiscal 2018, we became the first prestige beauty company to partner with LinkedIn Learning. The platform is available to full-time office employees of The Estée Lauder Companies globally, as well as permanent office employees in Latin America, Europe and the United Kingdom.

To date, more than 8,300 employees have participated in digital learning initiatives on the LinkedIn Learning platform, with 12,000+ courses completed and 338,000+ videos watched, accounting for a total of 20,800+ hours spent advancing our learning objectives. Our top LinkedIn Learning users have viewed between 40 to 100 hours of learning content each since we launched the platform.

## William P. Lauder Business Symposium at Wharton

Executive Chairman William P. Lauder hosts high-potential leaders representing our brands, regions, functions and channels for an annual week-long Business Symposium on Effective Decision Making in a Fast-Changing World at the Wharton School of the University of Pennsylvania. This executive education program reflects William's philosophy of learning through exposure to a variety of perspectives, with sessions led by William himself, world-class professors, senior leaders from across the Company and inspirational industry speakers. Designed to help participants lead change, adapt and thrive in our fast-changing business environment, the Symposium offers participants practical insights inside the classroom and unique opportunities for experiential application beyond it.



## International General Managers Program at Wharton

Affiliate General Managers (GMs) at The Estée Lauder Companies play a critical role in running our international markets and ensuring the success of our business. Group President of International Cedric Prouvé hosted the GMs for a four-day executive education program in May 2019 to explore the evolution of the GM role in the context of a complex and rapidly changing world. The program allowed our GMs to interact and learn from senior leaders, professors and their global counterparts.



## DEVELOPING OUR EMPLOYEES

High performance is part of our culture. We have a strong performance-development approach in place to allow us to grow, nurture and reward our talented people. Our corporate-wide Performance Development Plan (PDP) covers all office-based employees across brands, regions and functions. The PDP provides a single structure for employees and their managers to set goals, have ongoing coaching conversations and review performance at the end of each year.

In fiscal 2019, we officially launched Digital PDP to 8,000 employees in North America and Latin America. Digital PDP is an innovative and modernized approach to Performance Management, which offers more transparency around setting goals and receiving feedback. In addition to the ability to track, edit and share goals, employees also can better provide and receive 360-degree feedback from colleagues and stakeholders. In fiscal 2019, these self-service tools were accessed more than 93,000 times.



# HEALTH AND SAFETY

Safety is central to our core family values. We are the leader in prestige beauty in regard to safety and are proud of the progress we've made to establish safe working environments for our employees. Between fiscal 2009 and fiscal 2019, our global total incident rate has decreased by 86%.

We combine robust policies with continuous communications, many dedicated to behavior-based safety concepts, to create awareness about safety in our daily lives. We encourage all employees to be conscious of their work environment, ensuring safety is top of mind, and engage in proactive safe behaviors, which are critical to reaching our ultimate goal of zero workplace incidents.

## GLOBAL RECOGNITION AT THE ERGO CUP

The Ergo Cup is an internationally recognized competition honoring innovation in ergonomic solutions that also increase cost savings and productivity. In fiscal 2019, we participated in the 22nd Annual Applied Ergonomics Conference, held in New Orleans, Louisiana, competing in the finals of two of the five categories of the Ergo Cup: *Team-Driven Workplace Solutions* and *Engineering/Ergonomist-Driven Workplace Solutions*. Nearly 50 teams participated in the event, representing prominent Fortune 500 companies with operations around the world. We were honored to be awarded the Ergo Cup in both categories in which we competed.



## OUR APPROACH TO HEALTH AND SAFETY

Safety is overseen by the Executive Vice President, Global Supply Chain, and managed by the Vice President of Global Environmental Affairs and Safety (EAS). There is a global EAS team covering supply chain, innovation, retail and offices, with facility-level EAS management reporting into this team.

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



### Employee Driven for Success

Beyond our policies, we are committed to providing all employees with the tools to practice safe behaviors, and we encourage both individual and collective accountability for safety. Our global EAS team runs campaigns throughout the year highlighting specific safety issues, including ergonomics and how to prevent slips, trips and falls. These campaigns are designed to target employees across our sites, including manufacturing, distribution, innovation, retail and our offices.

In addition, our Behavior Based Safety (BBS) program, a cornerstone of our commitment to safety, improves our safety culture through employee-led initiatives and communications around best practices. In fiscal 2019, we had 43 BBS Steering Teams across 25 facilities in 11 countries. These teams drove local projects to improve safety and ergonomic practices at their sites.

### Taking Action for Safety

Each June, we ask employees to renew their commitment to actively caring about safety. In fiscal 2019, our theme was “Take Action for Safety,” during which time we encouraged people to think about their roles in making the Company a safer place to work. Employees photographed examples of what actively caring about safety meant to them and shared their stories across our internal communications channels.

#### RESPONDING TO THE EVOLUTION OF EMPLOYEE SAFETY

The safety and security of our employees is very important to our organization. This means we must continually be aware of potential risks employees may face. In fiscal 2019, we introduced a new video tutorial for North America-based employees to address workplace violence, including a reminder on how to respond in the case of an active shooter.



## MEASURING OUR RESULTS

We take pride in our safety programs and track our performance in order to continually enhance our approach and improve our results.

*Safety metrics can be found on page 78.*

### HIGHLIGHTS INCLUDE:

- Zero recordable accidents across many of our facilities, including three manufacturing sites, 24 distribution centers and six innovation sites
- 14 National Safety Awards received
- 4,000+ employees trained on various safety topics including ergonomic awareness, lab safety and introduction to safety leadership
- 550+ BBS projects completed

### SAFETY SUCCESS AT OUR MEXICO DISTRIBUTION CENTER

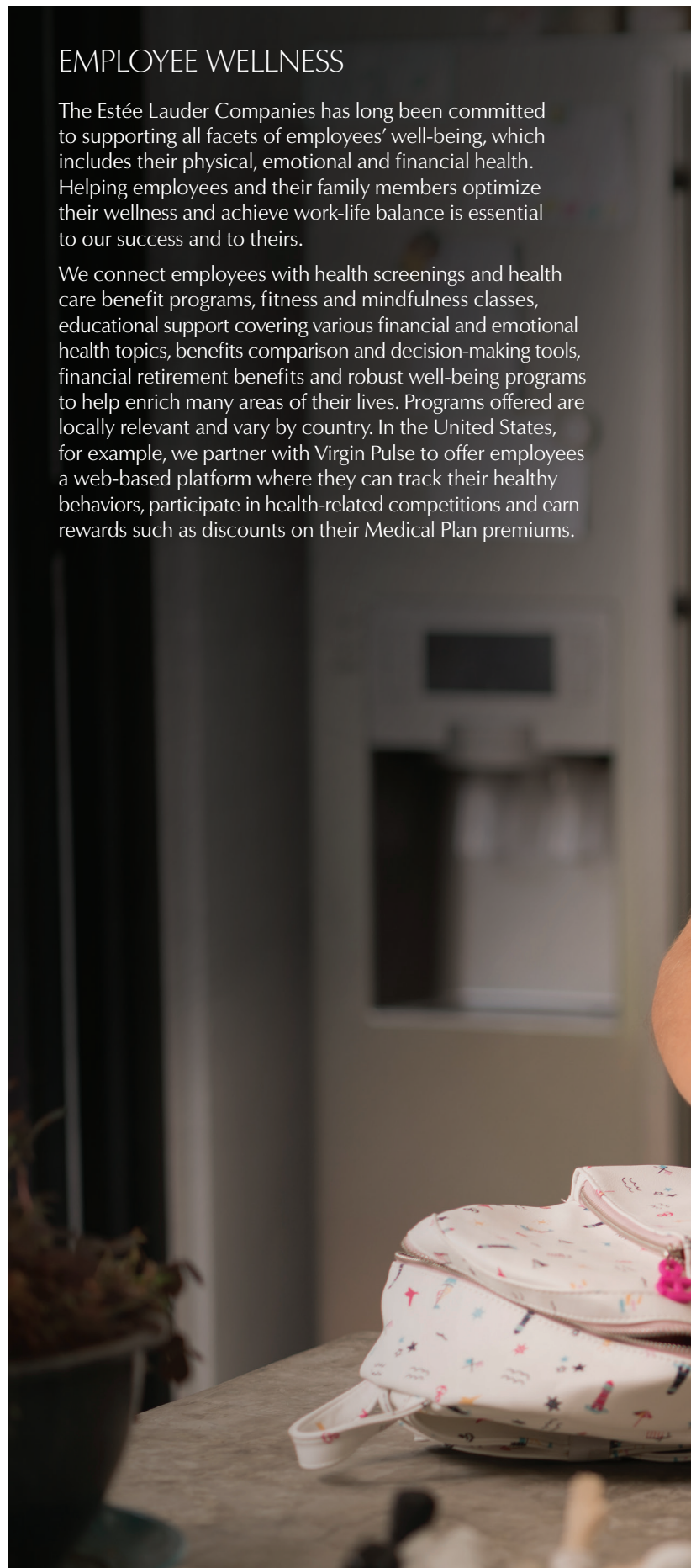
In fiscal 2019, our Mexico Distribution Center achieved zero accidents in the workplace for the first time in its history. This significant achievement reflected a concerted effort to make safety a priority through the following actions:

- Implementation of the first ever BBS program in Latin America, with the launch of 23 projects and more than 430 observations in which trained employees observe their co-workers and provide feedback to prevent at-risk behavior
- Development of a safety training matrix for all Mexico Distribution Center employees that covered environmental, health and safety fundamentals and BBS-related behaviors
- Conducting an ergonomics survey that outlined high-, medium- and low-priority issues in our work environments, with a multilevel ergonomics training provided for all staff on-site
- More than 1,000 hours of employee retraining on first aid, lift trucks (used to move materials), working with heights and other topics

## EMPLOYEE WELLNESS

The Estée Lauder Companies has long been committed to supporting all facets of employees' well-being, which includes their physical, emotional and financial health. Helping employees and their family members optimize their wellness and achieve work-life balance is essential to our success and to theirs.

We connect employees with health screenings and health care benefit programs, fitness and mindfulness classes, educational support covering various financial and emotional health topics, benefits comparison and decision-making tools, financial retirement benefits and robust well-being programs to help enrich many areas of their lives. Programs offered are locally relevant and vary by country. In the United States, for example, we partner with Virgin Pulse to offer employees a web-based platform where they can track their healthy behaviors, participate in health-related competitions and earn rewards such as discounts on their Medical Plan premiums.







Since the inception of our Health and Wellness Screening program in 1999, we have conducted more than:

**26,000**

Blood screenings for cholesterol, glucose and blood pressure

**20,000**

Skin cancer screenings

**1,400**

Prostate cancer screenings



# CITIZENSHIP

SINCE OUR FOUNDING, THE ESTÉE LAUDER COMPANIES HAS REMAINED DEDICATED TO SERVING THE COMMUNITIES IN WHICH WE LIVE AND WORK.

Our impact is seen through the efforts of our charitable foundation, pioneering cause-marketing campaigns and employees' generosity of time and charitable contributions. We are global citizens, driven by the Lauder Family values. As with everything we do, we approach Citizenship with a spirit of collaboration, responsibility and with a focus on the creation of long-term sustainable growth.

The world faces tremendous challenges that no single organization can solve alone. Only by working together will we begin to address the most pressing societal issues and find solutions to help create a better world and better outcomes for future generations. We bring our business-minded approach to our efforts, confident that our track record of success as a company can positively influence our social impact.

We have enterprise Citizenship programs that span the entirety of our organization, including The Breast Cancer Campaign and The Estée Lauder Companies Charitable Foundation's (ELCCF) Girls' Education Initiative. In addition, we have initiatives that harness the unique power of a brand's DNA for impact and include Bobbi Brown's Pretty Powerful Campaign, La Mer's Blue Heart Oceans Fund, Aveda's Giving for Clean Water Campaign and the seminal M·A·C VIVA GLAM Campaign, among others.



# THE ESTÉE LAUDER COMPANIES CHARITABLE FOUNDATION

Fueled by our Company values and employees' passions, the mission of the ELCCF is to improve the well-being of our global communities, with an emphasis on women and girls. We focus our efforts on three pillars: health, education and the environment and make annual grants to organizations around the world that align with these pillars.

## ELCCF'S THREE PILLARS



### DRIVING GLOBAL IMPACT WITH LOCAL RELEVANCE

**BRAZIL – The Resource Foundation:** The ELCCF supported local organizations working to challenge gender stereotypes through sport and by providing technical training to compete in the job market.

**INDIA – Kailash Satyarthi Children's Foundation:** The ELCCF, along with Aveda and the overall Company, supported the establishment of 150 child-friendly centers to help communities understand and access their legal rights and ensure that every child is supported in their pursuit of education.

**CHINA – ADM Capital Foundation:** Through ELCCF support for the La Mer Blue Heart Oceans Fund, La Mer funded research to aid in fisheries management and marine conservation in Asia.

**GLOBAL – HERproject:** As a global manufacturer and distributor of prestige beauty products, a healthy supply chain remains critical to our success. This year, as part of efforts to align our giving with our business objectives, we joined the HERproject.

The HERproject is a collaborative initiative that empowers low-income women working in global supply chains across industries via workplace-based interventions on health, financial inclusion and gender equality. Our participation supports the expansion of the HERproject to third-party manufacturing facilities that directly supply The Estée Lauder Companies, helping us to further strengthen the communities in which we live and work.



# IMPACT ACROSS OUR PORTFOLIO

The equity and influence of our brands is undeniable. Each year our brands continue to drive efforts to make a difference in this world. Examples include:



## BOBBI BROWN | *Pretty Powerful Campaign*

Bobbi Brown's Pretty Powerful Campaign supports the creation of new possibilities for women and girls around the world. In fiscal 2019, the brand established a fund to formalize its giving. To mark the occasion, \$400,000 was donated to four worthy causes that align with the Campaign's mission: Girls for Gender Equity, Urgent Action Fund for Women's Human Rights, Third Wave Fund and UCLA's Stuart House.



## JO MALONE LONDON | *Mental Health*

Jo Malone London proudly supports those living with mental health concerns through its work with dedicated charity partners across the United Kingdom, helping to raise awareness and provide support. The brand's support of mental health began in 2012 and is funded through the sale of Jo Malone London Charity Home Candles. In fiscal 2020, the brand is supporting 10 U.K. charity projects, ranging from horticultural therapy gardens to projects designed to raise awareness and break down the stigma that often surrounds mental health.



## TOO FACED | *PETA's Beauty without Bunnies Program*

Too Faced remains committed to protecting animal welfare and has been a dedicated member of PETA's Beauty Without Bunnies cruelty-free program since 2001. To celebrate the launch of the brand's Clover collection products, Too Faced donated a total of \$625,000 to animal charities during the two years ended June 30, 2019.



## FOCUS ON: HEALTH

### M·A·C VIVA GLAM

Fiscal 2019 marked the 25th anniversary of the M·A·C VIVA GLAM campaign. While the fight to end HIV/AIDS is far from over, it looks much different than it did when M·A·C launched the campaign in 1994. AIDS-related deaths have decreased significantly, and tens of millions of people now have access to medications that hadn't yet been developed 25 years ago. Still, challenges continue, especially for those most impacted by disparities in health care systems, such as women of color and the LGBTQ community.

To reflect this changing landscape, in fiscal 2019 we evolved the mission of the VIVA GLAM campaign. Our support for the HIV/AIDS community remains but with an expanded focus to address the needs and inequities of communities most impacted by the disease. These broadened priorities include funding for programs aimed at creating healthy futures and equal rights for women and the LGBTQ community.

To mark the occasion of the 25th anniversary, M·A·C honored 10 heritage grantees that were original VIVA GLAM beneficiaries with \$25,000 each, including God's Love We Deliver, AIDS Project Los Angeles and Heartland Health Alliance. In addition, and in recognition of our expanded mission, M·A·C made three additional grants totaling \$1.3 million to support Planned Parenthood, GLAAD and Girls, Inc., to further their work in the areas of sexual health, LGBTQ rights and girls' development, respectively.

### WORLD AIDS DAY 2018

In support of World AIDS Day 2018, 1,750 employees volunteered 5,650 hours of their time with local HIV/AIDS organizations during the week of World AIDS Day, representing 25 international markets and 120 cities in North America.





## IMPROVING ACCESS TO CLEAN WATER

Access to clean water was recognized as a basic human right by the United Nations in 2010, yet hundreds of millions of people worldwide lack even a basic drinking water source. Globally, at least 2 billion people use a contaminated drinking water source, which can transmit diseases such as cholera, dysentery, typhoid and polio. Contaminated drinking water is estimated to cause more than half a million deaths each year.

Since 1999, Aveda has made a significant impact through annual Earth Month campaigns, raising nearly \$65 million for hundreds of local and global environmental organizations, with more than \$60 million directed to protecting and providing clean water. In 2018, in an effort to accelerate efforts, Aveda began a new global partnership with charity: water, one of the leading nonprofit organizations dedicated to providing access to safe drinking water, sanitation and hygiene (WASH) to people in developing countries. Through the partnership, Aveda will focus on providing clean water to underserved communities in India, Nepal, Madagascar and Ethiopia, which are key sourcing countries for the brand.

Aveda raises money for Earth Month in two ways: through the sale of limited-edition products, of which 100% of proceeds\* are donated to environmental causes, and through fundraising events held and supported by Aveda's global network of salons, artists, guests, students and experience centers, including Appointments for the Earth and Catwalks for Water.



Aveda employees volunteer to support clean water initiatives.



# FOCUS ON: EDUCATION

## THE GIRLS' EDUCATION INITIATIVE

The Girls' Education Initiative helps underserved girls worldwide to acquire the necessary skills and support to effect lasting change for themselves and their communities. In fiscal 2019, we expanded the initiative to include a focus on life skills, such as financial literacy, health education and workforce training. Life skills can be as important as academic skills: they can equip girls with the confidence, voice and agency to control their lives. Life skills give them the tools to stay in school and transition to the workplace, helping to lift them out of poverty and towards a brighter future.

### Pratham: Providing Beauty Training in India

Founded in 1995, Pratham provides preschool education to children in Mumbai and is one of the largest organizations of its kind. We continue to support Pratham's Second Chance program, which gives young girls who have dropped out of school access to ongoing education. In fiscal 2019, we provided additional support by offering vocational beauty training courses for women to build their technical knowledge, professional skills and confidence. We also supported programs for micro-entrepreneurs in beauty to expand their businesses and to grow financially.

### The Student Leadership Network: Supporting and Inspiring Female Leaders of Tomorrow

For more than 10 years, we have supported the Student Leadership Network (formally the Young Women's Leadership Network), a network of all-girls public secondary schools (grades 6-12) in New York that promotes high-quality student learning opportunities in and out of the classroom. This year, we continued our commitment with a grant to support The Young Women's Leadership School (TYWLS) of East Harlem, New York and its CollegeBound Initiative, which places a full-time, school-based college counselor into schools to provide year-round college guidance services. Last year, 100% of graduating TYWLS seniors were accepted into college. Our employees continue to volunteer at TYWLS of East Harlem to provide hands-on mentorship and support.

*See page 71 for more details.*

Additional fiscal 2019 grant recipients of the Girls' Education Initiative include: Camfed (Ghana), Empower (China, India, Mexico and South Africa), Ikamva Youth (South Africa), Room to Read (Asia and Africa), She's the First (Global), Study Hall (India) and Turn Around Arts (United States).



### PARTNERING WITH THE ASIA FOUNDATION TO SUPPORT GIRLS EDUCATION IN VIETNAM

Education is a critical factor in rising out of poverty; completing a secondary education can provide a cascade of benefits for adolescent girls. Many Vietnamese girls, however, face serious challenges in reaching their educational goals, as circumstances related to poverty keep them home to help take care of their families. As a result, a large number of girls from poor families drop out before or during secondary school.

In 2010, The Estée Lauder Companies and The Asia Foundation launched the partnership to begin a secondary school (grades 10-12) scholarship program with an inaugural cohort of 70 disadvantaged Vietnamese girls in the Mekong Delta. The scholarships were performance based, and scholars were required to maintain or improve their academic standing in order to remain in the program until graduation. All 70 girls from the first cohort graduated from secondary school in 2013. Notably, 44 of the 70 young scholars (63%) enrolled at university or vocational school, while 26 (37%) are working to help support their families.

Building on the success of the initial program, we continued to partner with The Asia Foundation to support second and third cohorts in 2013 and in 2016, supporting 134 and 100 students, respectively, with increasing rates of enrollment in university or vocational schools. Most recently, The Estée Lauder Companies contributed additional funds to add 40 more students to the 2016 cohort, bringing the total number of students in the third cohort to 140.

Throughout this partnership, The Asia Foundation and the Company have supported a new cohort every three years, which allows results from the previous cohort to inform and enhance the program design to maximize success for the next cohort. In fiscal 2019, based on the continued success of this partnership, the ELCCF made another \$100,000 donation to continue The Estée Lauder Companies' scholars' program in Vietnam with a fourth cohort.



# FOCUS ON: THE ENVIRONMENT

## ENVIRONMENTAL PRESERVATION THROUGH EDUCATION

The ELCCF supports The Nature Conservancy's LEAF program, which provides paid internships for young men and women living in large cities to engage in conservation activities. Through this program, interns receive the opportunity to work with mentors and scientists in career development and hands-on environmental activities. LEAF not only strengthens young women, but also develops their interest in STEM and provides a meaningful way to give back to protect and promote the environment.



## ENSURING HEALTHY FORESTS

Since 2009, Origins has partnered with American Forests' Global ReLeaf, a nonprofit conservation organization dedicated to protecting and restoring healthy forest ecosystems. Through the Global ReLeaf program, Origins has helped to protect and restore threatened and damaged wildland forests—from mangroves in Fujian, China, to whitebark pines in Idaho, United States. Through June 30, 2019, we have planted more than 800,000 trees as part of the partnership, helping to aid reforestation efforts around the world.

## PROTECTING MARINE RESOURCES

We are helping protect global marine habitats for the benefit of future generations. The La Mer Blue Heart Oceans Fund supports ocean conservation projects via awareness-raising initiatives and charitable donations.

*See page 13 for more details.*







## BEYOND AWARENESS:

### TIME TO END BREAST CANCER

The Estée Lauder Companies' Breast Cancer Campaign unites and inspires people around the world in The Campaign's mission to create a breast cancer-free world. Founded in 1992 by the late Evelyn H. Lauder, The Breast Cancer Campaign is The Estée Lauder Companies' largest corporate social impact program, spanning brands, regions and functions.



### RESEARCH IN ACTION

In fiscal 2019, The Campaign raised \$10.3 million to support research, education and medical services. This includes our Breast Cancer Research Foundation (BCRF)–funded research grants, where we have funded studies that: improve ways to assess risk in young girls with a family history of breast cancer, identify biomarkers and targeted therapies to personalize cancer therapies to each patient, identify strategies to improve treatments for patients with metastatic breast cancer and advance our understanding of breast cancer disparities and improve delivery of care in Africa, among numerous other areas.

We have made significant progress and are proud to inspire action through our global community with the goal of creating a breast cancer-free world. From 1992 through June 30, 2019, The Campaign has:

- Raised more than \$89 million globally for lifesaving research, education and medical services. Of that amount, \$73 million has funded 293 medical research grants through the Breast Cancer Research Foundation® (BCRF)
- Supported more than 60 breast cancer organizations globally
- Mobilized employees around the world to positively impact communities and unite in action
- Distributed approximately 167 million pink ribbons worldwide



Taiwan, China illumination for BCC



# HARNESSING THE GENEROSITY OF OUR EMPLOYEES

At The Estée Lauder Companies, we have a respect for the individual and a collective generosity of spirit that infuses everything we do. We are inspired by the dedication and passion of our employees around the world and support them in their efforts to donate their time and money to organizations that align with causes close to their hearts.

## AMPLIFYING EMPLOYEES' GOOD WORKS

ELC Good Works, our charitable matching gifts and volunteerism program in the United States and United Kingdom, recognizes the causes that matter to our employees and amplifies their commitment to the community. Eligible employees in the United States and United Kingdom can create and sign up for volunteer activities, as well as request to have their donations and volunteer hours matched by the Company. Additionally, eligible U.S. employees can give to eligible nonprofits through donations and payroll deductions. Donations are matched dollar-for-dollar, and volunteer time is rewarded an equivalent of \$20 for each hour volunteered. The Estée Lauder Companies will match up to \$5,000 in total per fiscal year per full-time employee in the United States.

Looking ahead, we plan to evolve the platform to encompass programs and initiatives beyond the United States and United Kingdom to reflect the spirit of generosity around the globe.



ELC employees contributed more than 25,000 volunteer hours in fiscal 2019.





## EMPLOYEE DRIVEN IMPACT

We believe that employees can “lead from any chair,” regardless of seniority or standing, and we apply this principle to our corporate citizenship efforts as well. The Employee Advised Fund (EAF) was created in 2014 to give employees the unique opportunity to fund and volunteer with the nonprofit(s) that they care about and that are aligned to the Company’s values. This year, 14 nonprofits were supported through the EAF.

## ALIGNING VOLUNTEERISM WITH SOCIAL IMPACT

Our employees support a wide variety of causes and organizations, reflecting the diverse population of our organization. Employees also play an active role in supporting nonprofits that The Estée Lauder Companies supports on an enterprise level, and we continue to provide opportunities for them to do so. One example of this is our long-standing relationship with The Student Leadership Network.

Each year, through an internal board consisting of six Company employees, we provide opportunities for employees to volunteer at one of our sponsored schools, The Young Women’s Leadership School of East Harlem (TYWLS) in New York. Collaborative workshops held at TYWLS of East Harlem allow volunteers from The Estée Lauder Companies to share their insights about the beauty industry and the business world at large. These programs align with the schools’ mission to provide an ideal college-preparatory education and to empower young women to pursue personal successes in life. Last year, the Company hosted seven TYWLS events that reached 500 students—with more than 100 volunteers investing a total of more than 390 volunteer hours.

## BUILDING TEAM SPIRIT

We continue to be inspired by internal groups that leverage volunteering as a team-building activity. For example, in fiscal 2019, the Information Technology (IT) department held its fifth annual IT Day of Service. More than 430 IT employees and their family members volunteered their time and talents to support 40 nonprofits in 21 countries worldwide. The department also held its inaugural “Summer of Service,” during which various groups within IT volunteered on Fridays throughout the summer of 2019.



ELC employees volunteer at The Fresh Air Fund camp in New York.



# OUR COMMITMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

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



*Learn more about the SDGs* [🔗](#)



The Estée Lauder Companies is focusing on four SDGs where we can have the most impact in advancing the objectives of the goals and in helping to deliver on the vision of a more sustainable world for all. Examples of how we are supporting progress against these goals through our existing programs are provided throughout this report.



#### ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL

Through our numerous social impact programs, we focus our charitable giving on health, education and the environment, with the objective to positively touch the lives of 10 million individuals by the end of 2020. We have implemented a variety of employee engagement programs to further support our local communities and are developing strategies to ensure even greater employee participation in these activities.

*Please see the Citizenship section on page 62 for more details.*



#### ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

We champion women and girls' rights through social impact initiatives that incorporate a specific emphasis on advancing the livelihoods and well-being of women and girls. In addition, we foster a working environment that fully supports women, both in and outside of the workplace, and were named the #1 company on *Forbes's* "America's Best Employers for Women" list in July 2019.

*Please see the ELC Family Values section on page 48 and the Citizenship section on page 62 for more details.*



#### ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

We are increasing our efforts to source our ingredients in a way that protects the environment and supports local communities and are taking action to ensure the sustainability of sensitive supply chains. We are also focusing on innovative design that can contribute to the circular economy through our increased use of recyclable, refillable, reusable, recycled or recoverable packaging material.

*Please see the Responsible Sourcing section on page 24 and the Product Responsibility section on page 40 for more details.*



#### TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

We are taking steps to reduce our carbon footprint: our goal is to achieve Net Zero carbon emissions by the end of 2020, and we publicly pledged to source 100% of our global electricity from renewable energy technologies by the end of 2020 through our RE100 commitment. We have also set a goal to establish a Science-Based Target for our Company's emissions reductions by the end of 2020.

*Please see the Environmental Stewardship section on page 30 for more details.*



# METRICS

		FY19	FY18	FY17
SELECT FINANCIAL DATA  (IN MILLIONS, EXCEPT PER SHARE DATA)	Net sales	\$14,863	\$13,683	\$11,824
	Net earnings	\$1,785	\$1,108	\$1,249
	Net earnings per diluted share	\$4.82	\$2.95	\$3.35

		JUNE 30		
		2019	2018	2017
EMPLOYEES	Total employees (thousands) <sup>1</sup>	76.6	76.5	79.1
	% Total employees, by region			
	<i>The Americas</i>	43.1%	43.2%	46.0%
	<i>Asia/Pacific</i>	23.4%	22.1%	20.5%
	<i>Europe, the Middle East &amp; Africa</i>	33.6%	34.7%	33.5%
	% Total employees, by age group <sup>2</sup>			
	<i>&lt;30 yo</i>	38.9%	39.8%	40.5%
	<i>30-50 yo</i>	48.7%	48.0%	47.5%
	<i>&gt;50 yo</i>	12.4%	12.2%	12.0%
	% Total employees, by gender			
	<i>Female employees</i>	84.3%	85.0%	85.5%
	% Total U.S. employees, by ethnicity <sup>3</sup>			
	<i>Minority U.S. employees</i>	46.4%	45.3%	44.7%

1. Total employees include global full-time, part-time, regular and temporary employees on active assignment and on leave with pay.

2. Fiscal 2018 and fiscal 2017 data restated due to updated calculation methodology.

3. Minority employee data is only available for U.S.-based employees and is defined according to Equal Employment Opportunity Commission (EEOC) guidelines as American Indian or Alaskan Native, Asian or Pacific Islander, Black (except Hispanic), Hispanic, Native Hawaiian or Other Pacific and two or more races.

		JUNE 30		
		2019	2018	2017
<b>EMPLOYEES BY TYPE</b> (THOUSANDS)  Amounts may not sum due to rounding	TOTAL EMPLOYEES BY EMPLOYEE TYPE, BY REGION			
	Regular employees, by region			
	<i>The Americas</i>	19.2	19.4	20.0
	<i>Asia/Pacific</i>	16.6	15.4	14.5
	<i>Europe, the Middle East &amp; Africa</i>	23.0	23.7	23.7
	Temporary employees, by region			
	<i>The Americas</i>	13.8	13.7	16.4
	<i>Asia/Pacific</i>	1.3	1.5	1.8
	<i>Europe, the Middle East &amp; Africa</i>	2.7	2.9	2.8
	TOTAL EMPLOYEES BY EMPLOYEE TYPE, BY GENDER			
	Regular full-time employees, by gender			
	<i>Female</i>	37.8	37.1	36.5
	<i>Male</i>	9.0	8.6	8.4
	Regular part-time employees, by gender			
	<i>Female</i>	11.1	12.0	12.4
	<i>Male</i>	0.9	0.8	0.8
	Temporary full-time employees, by gender			
	<i>Female</i>	2.2	2.1	2.5
	<i>Male</i>	0.4	0.4	0.4
	Temporary part-time employees, by gender			
	<i>Female</i>	13.5	13.9	16.2
	<i>Male</i>	1.7	1.6	1.9



		JUNE 30		
		2019	2018	2017
EMPLOYEES BY CATEGORY	% Total employees by category, by gender			
	<i>Female in senior management</i> <sup>4</sup>	46.3%	45.7%	44.2%
	<i>Female in management</i> <sup>5</sup>	62.8%	62.8%	60.6%
	<i>Female in technical</i> <sup>6</sup>	28.3%	27.8%	26.8%
	% Total U.S. employees by category, by ethnicity <sup>7</sup>			
	<i>Minority in U.S. senior management</i>	20.9%	15.9%	16.1%
	<i>Minority in U.S. management</i>	25.4%	24.6%	23.5%
	<i>Minority in U.S. technical</i>	40.8%	42.0%	41.3%

		JUNE 30		
		2019	2018	2017
BOARD OF DIRECTORS	Total Board count	16	17	15
	% Women on Board	43.8%	47.1%	40.0%
	% Board composition, by age group			
	<30 yo	0.0%	0.0%	0.0%
	30-50 yo	18.8%	23.5%	13.3%
	>50 yo	81.3%	76.5%	86.7%

		FY19
PARENTAL LEAVE (THOUSANDS)	Total U.S. employees eligible for parental leave <sup>8</sup>	10.6
	Total U.S. employees that took parental leave	0.4

4. Senior management is defined as ELC employees in positions with the title "Senior Vice President" and above.

5. Management is defined as ELC employees in positions with the title "Director" and above.

6. Technical is defined as ELC employees in the Information Technology department who have a technical skill job title.

7. Minority employee data is only available for U.S.-based employees and is defined according to Equal Employment Opportunity Commission (EEOC) guidelines as American Indian or Alaskan Native, Asian or Pacific Islander, Black (except Hispanic) and Hispanic.

8. Eligible U.S. employees include U.S. regular full-time employees that have been employed for at least three months.

		FY19	FY18	FY17
SOCIAL INVESTMENTS (\$ MILLIONS)	Total charitable contributions	\$45.7	\$44.9	\$52.6

		FY19	FY18	FY17
EMPLOYEE ENGAGEMENT (THOUSANDS, EXCEPT ERGS)	Employee volunteer hours <sup>9</sup>	26.0	24.9	23.8
	Employee donations <sup>10</sup>	\$798	\$884	\$665
	Amount matched by ELC	\$1,090	\$1,139	\$816
	# Employee Resource Groups (ERGs) <sup>11</sup>	30	27	22

		FY19	FY18	FY17
EMPLOYEE SAFETY <sup>12</sup>	Total Recordable Incident Rate <sup>13</sup>	0.25	0.24	0.29
	Days Away, Restricted or Transfer Rate (DART)	0.20	0.18	0.20
	Lost time frequency rate	0.17	0.15	0.18
	Total fatalities	0	0	0
	Total Recordable Incidents	155	145	173
	# Recordable work-related injuries, by main types			
	<i>Slips, trips and falls</i>	55	58	71
	<i>Ergonomic injuries</i>	27	28	30
	<i>Cuts and lacerations</i>	13	7	9

9. The ELC Good Works employee volunteerism platform was available to United States (U.S.) full-time and part-time employees in fiscal 2017, 2018 and 2019. In fiscal 2018, the platform also became available to United Kingdom (U.K.) corporate full-time, part-time and fixed-term contract employees only.

10. The ELC Good Works employee matching gifts platform was available to U.S. full-time employees in fiscal 2017, 2018 and 2019. In fiscal 2018, the employee matching gifts platform also became available to U.K. corporate full-time, part-time and fixed-term contract employees only.

11. Total number includes all global chapters, representing 12 unique ERGs.

12. Includes all ELC full-time and part-time employees and temporary employees supervised by ELC.

13. Rates are calculated using OSHA recordability criteria and are based on 200,000 hours worked and the ELC Total Hours Worked for the fiscal year.



		FY19	FY18	FY17
GREENHOUSE GAS (GHG) EMISSIONS (THOUSAND METRIC TONS CO <sub>2</sub> EQUIVALENT)	Scope 1 <sup>14*</sup>	31.9	34.5	36.7
	Scope 2 <sup>15*</sup>	62.4	61.6	58.7
	Scope 3 for measured categories	74.9	48.4	51.6
	Scope 3 by category <sup>16</sup>			
	<i>Category 6: Business travel*</i>	34.9	15.8	19.8
	<i>Category 9: Downstream transportation and distribution</i>	9.7	9.7	9.1
	<i>Category 11: Use of sold products*</i>	30.3	22.9	22.6
	GHG intensity (normalized to net sales) <sup>17</sup>	3.9	4.4	5.0
	% Year-over-year reduction from operations <sup>18</sup>	5.4%	-1.4%	-1.6%
	Reduction of consumption due to conservation and efficiency measures <sup>19</sup>	n/a	15.6	0.9

\* Data verified by Apex Companies, LLC.

14. Scope 1 emissions are calculated for all worldwide activities with ELC operational control. Emissions data is updated and restated on an annual basis to reflect updates to ELC sites and GHG Protocol calculation methods. The greenhouse gases included as part of this inventory are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and hydro fluorocarbons (HFCs). The other GHGs, sulfur hexafluoride (SF<sub>6</sub>), perfluorocarbons (PFCs) and nitrogen trifluoride (NF<sub>3</sub>) are not emitted as Scope 1, Scope 2 or Scope 3 emissions in The Estée Lauder Companies' GHG inventory. The base year for the ELC GHG emissions inventory is fiscal 2008. The base year was chosen due to the completeness of availability of data for all emissions sources within the boundary conditions set. Any changes in inventory methodology, boundary conditions (operational or organization), or facility portfolio are tracked against the base year inventory. All global warming potential (GWP) factors are taken from the IPCC's Fifth Assessment Report.
15. Scope 2 refers to market-based Scope 2 emissions and the greenhouse gases included in this inventory are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. For electricity purchased in the United States, emissions factors taken from the most recent EPA Emissions & Generation Resource Integrated Database (eGRID) are used to calculate GHG emissions. Province or territory-specific factors from Environment Canada and the Australian Government are applied to Canadian and Australian locations, respectively. Country-specific emissions factors are applied at all other locations including utilizing residual mix emission factors for its locations in the European Union.
16. Scope 3 emissions are calculated for partial Category 9: Downstream Transportation and Distribution (Aveda brand transport and distribution) and partial Category 11: Use of sold products (HFC aerosol propellants for ELC products). All GWP factors are taken from the IPCC's Fifth Assessment Report. Increased business travel emissions in fiscal 2019 are due to expanded global data capture.
17. GHG intensity is calculated based on Scope 1 and Scope 2 market-based emissions including renewables.
18. GHG reduction is calculated based on Scope 1 and Scope 2 market-based emissions including renewables as a % reduction from the previous year.
19. Total estimated annual savings from implemented projects. Fiscal 2019 data not available at time of publication.

		FY19	FY18	FY17
ENERGY (THOUSAND MWH)	Total energy consumption within the organization *	316.0	326.2	321.9
	Total fuel consumption within the organization, by source <sup>20</sup>			
	<i>Non-renewable</i> *	153.5	165.1	171.7
	<i>Renewable</i> *	1.1	0.6	0.1
	Total electricity consumption <sup>21</sup>	161.4	160.6	150.1
	Total electricity consumption, by source <sup>22</sup>			
	<i>Non-renewable</i> *	54.8	56.2	72.9
	<i>Renewable</i> *	106.6	104.4	77.1
	Energy intensity (normalized to net sales)	21.3	23.8	27.2
	% Global energy sourced from renewable energy	34.1%	32.2%	24.0%

\* Data verified by Apex Companies, LLC.

		FY19	FY18	FY17
WASTE <sup>23</sup> (THOUSAND METRIC TONS)	Total hazardous waste <sup>24</sup>	1.0	0.9	1.1
	Total non-hazardous waste *	31.1	25.3	22.2
	Total non-hazardous waste, by disposal method			
	<i>Reuse</i> *	4.5	2.6	2.1
	<i>Recycling</i> *	17.0	15.7	14.3
	<i>Composting</i> *	0.01	0.01	0.02
	<i>Recovery, including energy recovery</i> *	9.5	7.0	5.8
	<i>Landfill</i>	0	0	0

\* Data verified by Apex Companies, LLC.

20. Fuel consumption for all worldwide activities with ELC operational control. Non-renewable fuel includes natural gas, motor gasoline, motor diesel and fuel oil. Renewable fuel includes on-site solar and bio-fuel.

21. Electricity consumption for all worldwide activities with ELC operational control. Non-renewable electricity consumption reflects utility purchases not covered by off-site generation (utility contracts) and REC purchases. Renewable electricity consumption reflects off-site generation (utility contracts) and REC purchases. Fiscal 2018 electricity metrics restated due to more accurate data capture and reallocation of RECS to the global region where RECs were purchased.

22. Fiscal 2018 electricity metrics restated due to more accurate data capture and reallocation of RECS to the global region where RECs were purchased.

23. Waste data reflects production and excess obsolete (EXOB) waste from 24 primary locations (13 manufacturing sites, seven distribution sites, three innovation sites and one salon); data does not include 26 additional sites that are included in the zero industrial waste-to-landfill goal. Sludge waste and product giveaways are not included. Disposal information is provided by the waste disposal contractors except for reuse, which is carried out by ELC.

24. Hazardous waste restated for fiscal 2018 and fiscal 2017 to reflect expanded data capture.



		FY19	FY18	FY17
WATER <sup>25</sup> (MILLION CUBIC METERS) Amounts may not sum due to rounding	Withdrawal <sup>26*</sup>	1.6	1.6	1.5
	Consumption	0.3	0.3	0.2
	Discharge <sup>27</sup>	1.4	1.3	1.3
	% Water consumption from all areas with water stress	87.0%	84.0%	91.0%
	% Water withdrawn from all areas with water stress	82.4%	82.1%	82.3%
	Water consumption intensity (normalized to net sales)	0.02	0.02	0.02

\* Data verified by Apex Companies, LLC.

		FY19	FY18
RESPONSIBLE SOURCING <sup>28 29</sup>	% New suppliers screened using environmental and social criteria	100%	100%
	% Strategic suppliers screened using environmental and social criteria	85%	80%

		CY18	CY17	CY16
PALM OIL <sup>30</sup> Amounts may not sum due to rounding	% Total palm oil certified by RSPO	100%	100%	100%
	% Palm oil certified by RSPO, by source type			
	<i>Identity preserved</i>	<1%	0%	<1%
	<i>Segregated</i>	0%	0%	0%
	<i>Mass Balance</i>	47%	32%	26%
	<i>Book &amp; Claim</i>	52%	68%	74%
	% Total palm-based ingredients sourced through certified-sustainable physical supply chains	47%	32%	26%


25. Water data has been reclassified to reflect withdrawal, consumption and discharge categories as defined by the GRI Standards and CDP Water questionnaire.

26. Withdrawal data reflects 23 Sites (13 manufacturing, six distribution sites, three innovation sites and one salon). Data includes groundwater withdrawal at our Melville manufacturing facility from approximately April through October each year as a result of cooling activities.

27. Discharge data includes groundwater return at our Melville manufacturing facility from approximately April through October each year as a result of cooling activities, as well as wastewater discharge from 23 sites.

28. Suppliers include those providing direct raw material, ingredients, packaging and Third-Party Manufacturing to ELC.

29. Strategic suppliers are highly critical suppliers with broad and unique capabilities. These suppliers comprise more than half of ELC direct spend.

30. Palm oil sourcing is reported by Calendar Year (CY) in alignment with the Roundtable on Sustainable Palm Oil (RSPO) Annual Communication of Progress (ACOP)  guidelines. Formulas manufactured by Third-Party Manufacturers (TPMs) are currently excluded.

		FY19
PACKAGING (THOUSAND METRIC TONS)	Total weight of product packaging <sup>31</sup>	63.1
	Total weight of product packaging, by type	
	<i>Non-renewable</i>	43.7
	<i>Renewable</i> <sup>32</sup>	19.4
	Total weight of materials taken back through a consumer returns program <sup>33</sup>	0.4
	% Packaging reclaimed through customer returns programs	0.65%
	% Packaging made from post-consumer recycled content and/or renewable materials	39%

31. Product packaging is defined as any item to be used for the containment, protection, handling and presentation of products and delivery to The Estée Lauder Companies' distribution centers that is included on the bill of materials.

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

33. Materials collected in North America only.



# GRI INDEX

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
GRI 102: GENERAL DISCLOSURES 2016	102-1	Name of the organization	The Estée Lauder Companies Inc.
	102-2	Activities, brands, products and services	FY19 Form 10-K, pp. 2-8 <a href="#">↓</a>
	102-3	Location of headquarters	767 Fifth Avenue, New York, New York
	102-4	Location of operations	FY19 Form 10-K, pp. 8, 19 <a href="#">↓</a> Global Operations <a href="#">↗</a>
	102-5	Ownership and legal form	FY19 Form 10-K, p. 2
	102-6	Markets served	FY19 Form 10-K, pp.2-8 <a href="#">↓</a> Global Operations <a href="#">↗</a>
	102-7	Scale of the organization	Metrics, p. 74 (Total employees, employees by region) FY19 Form 10-K, p. 8 <a href="#">↓</a> (Distribution/total number of operations) Metrics, p. 74 (Net sales) FY19 Form 10-K, pp.23 and F-59 <a href="#">↓</a> (Net sales by region) FY19 Form 10-K, pp. 3, 23, F-58 <a href="#">↓</a> (Net sales by product category)
	102-8	Information on employees and other workers	Metrics, pp. 74-76 There are no significant seasonal variations in our workforce, and we do not use non-employees to perform a significant portion of the organization's activities.
	102-9	Supply chain	Responsible Sourcing, pp. 24-29 FY19 Form 10-K, p. 10 <a href="#">↓</a>
	102-10	Significant changes to the organization and its supply chain	FY19 Form 10-K, pp. 25-26 <a href="#">↓</a>
	102-11	Precautionary Principle or approach	Product Responsibility, p. 44 (Green Chemistry)

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
GRI 102: GENERAL DISCLOSURES 2016	102-12	External initiatives	The Estée Lauder Companies aligns, in whole or in part, with numerous citizenship and sustainability related third-party charters, principles and initiatives, including the United Nations Sustainable Development Goals, the 12 Green Chemistry Principles and various ISO standards, among others. We have included information about these initiatives throughout our report.
	102-13	Membership of associations	We maintain membership in many citizenship and sustainability-related associations, including: AIM-Progress, Business Council for International Understanding, the Circular Economy 100 (CE100) program run by the Ellen MacArthur Foundation, Cosmetics Europe, Cruelty Free International, Green Chemistry and Commerce Council (GC3), Humane Society International, The Humane Society of the United States, Institute for In Vitro Sciences (IIVS), National Association for Environmental Management (NAEM), National Retail Federation, Personal Care Products Council (PCPC), Retail Industry Leaders Association, Roundtable on Sustainable Palm Oil (RSPO), Sustainable Packaging Coalition (SPC), Sustainable Packaging Initiative for CosmEtics (SPICE) and We Connect, among others.
STRATEGY			
GRI 102: GENERAL DISCLOSURES 2016	102-14	Statement from senior decision-maker	Letter from William P. Lauder and Fabrizio Freda, pp. 4-5
	102-15	Key impacts, risks, and opportunities	Letter from William P. Lauder and Fabrizio Freda, pp. 4-5 Our Commitment to Citizenship and Sustainability, pp. 20-23 Citizenship and Sustainability Goals and Progress, pp. 8-9 FY19 Form 10-K, pp. 13-18 (Risk Factors) <a href="#">↓</a>
ETHICS AND INTEGRITY			
GRI 102: GENERAL DISCLOSURES 2016	102-16	Values, principles, standards, and norms of behavior	Culture and Values <a href="#">↗</a> Code of Conduct <a href="#">↓</a>
	102-17	Mechanisms for advice and concerns about ethics	Code of Conduct, pp. 7-8, 35-40 <a href="#">↓</a>



GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
GOVERNANCE			
GRI 102: GENERAL DISCLOSURES 2016	102-18	Governance structure	Corporate Governance <a href="#">🔗</a> 2019 Proxy Statement, p. 8 <a href="#">↓</a> The Nominating and Governance Committee is responsible for citizenship and sustainability oversight. Nominating and Governance Committee Charter, p. 1 <a href="#">↓</a>
	102-20	Executive-level responsibility for economic, environmental, and social topics	Our Commitment to Citizenship and Sustainability, pp. 20-23
	102-22	Composition of the highest governance body and its committees	2019 Proxy Statement, pp. 9-19 <a href="#">↓</a>
	102-23	Chair of the highest governance body	2019 Proxy Statement, pp. 9, 20 <a href="#">↓</a>
	102-24	Nominating and selecting the highest governance body	2019 Proxy Statement, pp. 8, 18-19 <a href="#">↓</a>
STAKEHOLDER ENGAGEMENT			
GRI 102: GENERAL DISCLOSURES 2016	102-40	List of stakeholder groups	Our key stakeholders include consumers and other customers, investors, employees, suppliers and regulators, as well as the communities in which we live and work.
	102-41	Collective bargaining agreements	FY19 Form 10-K, p. 11 <a href="#">↓</a>
	102-42	Identifying and selecting stakeholders	We engage with certain stakeholders (individuals and organizations) who have the potential to influence our business strategy and operations and whom our business impacts in turn.
	102-43	Approach to stakeholder engagement	Our Commitment to Citizenship and Sustainability, p.21 (Stakeholder Engagement) We did not undertake any specific stakeholder engagements as part of the report preparation process.
	102-44	Key topics and concerns raised	Our Citizenship and Sustainability Goals reflect our priority focus areas, as informed by stakeholder concerns and sentiments. Additional information on specific stakeholder topics of interest are included throughout this report.
REPORTING PRACTICE			
GRI 102: GENERAL DISCLOSURES 2016	102-45	Entities included in the consolidated financial statements	FY19 Form 10-K, p. 2 <a href="#">↓</a> This report covers The Estée Lauder Companies and its subsidiary operations unless otherwise specified.

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
GENERAL DISCLOSURES			
REPORTING PRACTICE			
GRI 102: GENERAL DISCLOSURES 2016	102-46	Defining report content and topic Boundaries	Our Commitment to Citizenship and Sustainability, p.22 (Priority Focus Areas) About This Report, pp. 2-3
	102-47	List of material topics	Our Commitment to Citizenship and Sustainability, p. 22 (Priority Focus Areas)
	102-48	Restatements of information	Information on restatements of citizenship and sustainability data are included in the footnotes to the tables in the Metrics section of this report, pp. 74-81.
	102-49	Changes in reporting	None
	102-50	Reporting period	July 1, 2018 - June 30, 2019
	102-51	Date of most recent report	The fiscal 2018 Corporate Responsibility Scorecard was published on June 28, 2019.
	102-52	Reporting cycle	Fiscal year (annual)
	102-53	Contact point for questions regarding the report	Please use our online form for inquiries regarding this report. <a href="#">🔗</a>
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
	102-55	GRI content index	GRI content index, pp. 82-89
	102-56	External assurance	About This Report, p. 2 Apex Companies, LLC, assurance letter <a href="#">📄</a>
TOPIC-SPECIFIC STANDARDS			
ECONOMIC PERFORMANCE			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	FY19 Form 10-K <a href="#">📄</a> Citizenship, pp. 62-71
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value distributed: community investments	Metrics, p. 77 (Social investments)
	201-2	Financial implications and other risks and opportunities due to climate change	2019 CDP Climate Response, pp.13-23 <a href="#">📄</a> Environmental Stewardship, pp. 31-32 (Our Response to Climate Change)



GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
TOPIC-SPECIFIC STANDARDS			
MATERIALS			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Product Responsibility, pp. 45-47 (Responsible Prestige Packaging) More information about the topic boundary and definitions is included in the About This Report section and in footnotes to the Metrics tables.
GRI 301: MATERIALS 2016	301-1	Materials used by weight or volume	Metrics, p. 81
	301-3	Reclaimed products and their packaging materials	Metrics, p. 81 We do not currently track reclaimed product and packaging materials by product category.
ENERGY			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Environmental Stewardship, pp. 32-35 (Energy and Emissions) More information about the topic boundary and definitions is included in the About This Report section and in footnotes to the Metrics tables.  2019 CDP Climate Response, pp. 29-31, 60-66 <a href="#">↓</a>
GRI 302: ENERGY 2016	302-1	Energy consumption within the organization	Metrics, p. 79 (Energy)
	302-3	Energy intensity	Metrics, p. 79 (Energy)
WATER AND EFFLUENTS			
GRI 303: WATER AND EFFLUENTS 2018	303-3	Water withdrawal	Metrics, p. 80 (Water)
	303-4	Water discharge	Metrics, p. 80 (Water)
	303-5	Water consumption	Metrics, p. 80 (Water)
EMISSIONS			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Environmental Stewardship, pp. 30-35 (Our Response to Climate Change; Energy and Emissions). More information about the topic boundary and definitions is included in the About This Report section and in footnotes to the Metrics tables.  2019 CDP Climate Response, pp. 3-9, 11-12, 27-39, 42, 71-73 <a href="#">↓</a>
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	Metrics, p. 78 (GHG Emissions)
	305-2	Energy indirect (Scope 2) GHG emissions	Metrics, p. 78 (GHG Emissions)
	305-3	Other indirect (Scope 3) GHG emissions	Metrics, p. 78 (GHG Emissions)
	305-4	GHG emissions intensity	Metrics, p. 78 (GHG Emissions)
	305-5	Reduction of GHG emissions	Metrics, p. 78 (GHG Emissions)  2019 CDP Climate Response, pp. 32-40, 57-59 <a href="#">↓</a>

GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
TOPIC-SPECIFIC STANDARDS			
EFFLUENTS AND WASTE			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Environmental Stewardship, pp. 30, 38-39 (Waste) More information about the topic boundary and definitions is included in the About This Report section and in footnotes to the Metrics tables.
GRI 306: EFFLUENTS AND WASTE	306-2	Waste by type and disposal method	Metrics, p. 79 (Waste) We do not currently track hazardous waste by disposal method. We are working towards implementing data-collection systems to enable reporting on this indicator.
ENVIRONMENTAL COMPLIANCE			
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	Non-compliance with environmental laws and regulations	In fiscal 2019, we were not subject to any environmental fines or penalties.
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Responsible Sourcing, pp. 24-29 More information about the topic boundary and definitions is included in the About This Report section and in footnotes to the Metrics tables.
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	New suppliers that were screened using environmental criteria	Metrics, p. 80 (Responsible Sourcing)
EMPLOYMENT			
GRI 401: EMPLOYMENT 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Family Values, p. 51 (Employee Benefits)
	401-3	Parental leave	Metrics, p. 76 (Parental Leave/ United States) We currently do not break out this information by age or gender.
OCCUPATIONAL HEALTH AND SAFETY			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-5	Worker training on occupational health and safety	Family Values, p. 59 (Our Approach to Health and Safety)
	403-6	Promotion of worker health	Family Values, pp. 60-61 (Employee Wellness)
	403-9	Work related injuries	Metrics, p. 77 (Employee Safety) There were no high-consequence work-related injuries in fiscal 2019.



GRI STANDARD	DISCLOSURE	DESCRIPTION	RESPONSE
TOPIC-SPECIFIC STANDARDS			
TRAINING AND EDUCATION			
GRI 404: TRAINING AND EDUCATION 2016	404-2	Programs for upgrading employee skills and transition assistance programs	Family Values, pp. 55-57 (Learning and Development)
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	Metrics, p. 76 (Employees by Category, Board of Directors) We do not currently collect the diversity status of members of our Board of Directors.
SUPPLIER SOCIAL ASSESSMENT			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Responsible Sourcing, pp. 24-29. More information about the topic boundary and definitions is included in the About This Report section and in footnotes to the Metrics tables.
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1	New suppliers that were screened using social criteria	Metrics, p. 80 (Responsible Sourcing)
PUBLIC POLICY			
GRI 415: PUBLIC POLICY 2016	415-1	Political contributions	Political Engagement <a href="#">🔗</a>
CUSTOMER HEALTH AND SAFETY			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Product Responsibility, pp. 42-44 (Product Safety Philosophy and Process; Applying the Principles of Green Chemistry)
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1	Assessment of the health and safety impacts of product and service categories	We assess 100% our products for health and safety. All of the ingredients present in our products undergo a comprehensive safety review and evaluation, and we will continue to comply with regulations regarding the ingredients used in our products, ensuring our overarching commitment to product safety.
MARKETING AND LABELING			
GRI 103: MANAGEMENT APPROACH 2016	103-1, 103-2, 103-3	Explanation of the material topic and its Boundary; the management approach and its components, and the evaluation of the management approach	Product Responsibility, p. 41 (Product Formulation)
GRI 417: MARKETING AND LABELING 2016	417-1	Requirements for product and service information and labeling	We comply with laws and regulations related to product labeling. We have set a goal to develop a glossary of key ingredients that includes descriptions of the ingredients' purpose and will make this information available online by 2025.

# SASB HOUSEHOLD & PERSONAL PRODUCTS STANDARD (SELECT INDICATORS)

DISCLOSURE TOPIC AND ACCOUNTING METRICS		RESPONSE
WATER MANAGEMENT		
CG-HP-140A.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Metrics, p. 80 (Water)
CG-HP-140A.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	Environmental Stewardship, p. 39 (Water)
PRODUCT ENVIRONMENTAL, HEALTH, AND SAFETY PERFORMANCE		
CG-HP-250A.3	Discussion of process to identify and manage emerging materials and chemicals of concern	Product Responsibility, pp. 40-44
PACKAGING LIFECYCLE MANAGEMENT		
CG-HP-410A.1	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Metrics, p. 81 (Packaging)
CG-HP-410A.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Product Responsibility, pp. 45-47 (Responsible Prestige Packaging; Innovating to Create Sustainable Luxury Packaging)
ENVIRONMENTAL & SOCIAL IMPACTS OF PALM OIL SUPPLY CHAIN		
CG-HP-430A.1	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) identity preserved, (b) segregated, (c) mass balance, or (d) Book & Claim	Metrics, p. 80 (Palm Oil)