

A CASE STUDY ON SUSTAINABLE PALM OIL BY

The Estée Lauder Companies



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APPROACH AND KEY ACHIEVEMENTS

While we are a comparatively low-volume user of palm-based ingredients (palm oil and its derivatives), we are committed to supporting sustainable palm oil. 100% of our palm-based ingredients are certified through a combination of Roundtable on Sustainable Palm Oil (RSPO) certification schemes, and we have committed that at least 90% of our palm-based ingredients will be RSPO certified from physical supply chains by the end of calendar year 2025.* We also are supporting smallholder palm oil farmers and collaborating with industry peers and suppliers to promote responsible sourcing and collective action to increase sustainable production of palm-based ingredients.

ROADBLOCKS AND SOLUTIONS

Similar to most other personal care products companies, we predominantly source materials derived from Palm Kernel Oil (PKO), and the complexity of the PKO derivative ingredient supply chain continues to pose significant challenges in establishing source traceability for us and our Tier 1 direct suppliers.

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

To address these challenges, we are collaborating with stakeholder groups such as RSPO's North American Sustainable Palm Oil Network, [Action for Sustainable Derivatives](#) (ASD) and other companies to identify mechanisms to improve traceability in the PKO/PKO derivatives supply chain with a goal to increase our procurement of certified sustainable PKO ingredients and collectively engage key actors along the supply chain. Through ASD, we have engaged with key suppliers to establish traceability to the mill level for more than 70% of our palm derivative volumes. This visibility is crucial to help address risks and will allow us to confirm that the sourcing practices of our palm ingredients suppliers align to our principles.

POST-2020 ACTION PLANS

As part of our sustainable palm oil sourcing commitments, we have developed the following actions and goals. We have adopted a No Deforestation, No Peat, No Exploitation (NDPE) policy that is aligned with the Accountability Framework, and expect our suppliers of palm-based ingredients (palm oil and its derivatives) to meet these criteria. We will conduct due diligence of raw material sourcing to ensure compliance with these criteria, beginning by conducting key commodity supplier compliance assessments, which will then further inform commodity-specific action plans. We will report on this process annually as appropriate.

We have also committed that at least 90%* of our palm-based ingredients will be certified sustainable from RSPO physical supply chains by 2025. Currently, 100%* of our palm-based ingredients are RSPO certified through a combination of RSPO supply chain certification methods (physical supply chains such as Mass Balance and Identity Preserved, as well as Book & Claim credits). In calendar year 2019, 57.46% of our palm-based ingredients were Mass Balance certified, 0.04% were Identity Preserved certified and the remaining 42.5% were covered by Book & Claim. Through our ASD membership we will continue to establish traceability for our palm derivative volumes and address responsible sourcing by collaborating with ASD members to harmonize approaches on transparency, risk monitoring and evaluation.

Finally, we will continue supporting palm oil smallholder farmers in several ways. In 2019, we partnered with BASF, the RSPO and civil society organisation Solidaridad to promote sustainable palm oil and palm derivatives production in the district of Waykanan, Lampung, Indonesia through [Project Lampung](#). The project's goal is to have a minimum of one-third of the supported smallholder farmers certified according to the RSPO Independent Smallholder Standard by mid-2021. In addition, we purchased RSPO Independent Smallholder credits equivalent to about 25% of our annual palm volumes in 2019. The credits supported 1,145 independent smallholders in Indonesia, Malaysia and Thailand. We plan to continue purchasing Independent Smallholder credits pending availability.

**Excludes palm-based ingredients not directly procured by The Estée Lauder Companies, such as those procured by Third-Party Manufacturers (TPMs)*



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A farmer participating in Project Lampung, funded in part by The Estée Lauder Companies.