



THE
BEAUTY OF
RESPONSIBILITY

CORPORATE RESPONSIBILITY REPORT 2014

ESTÉE
LAUDER
COMPANIES

ABOUT THIS REPORT

This is our fourth Corporate Responsibility (CR) report. It covers our performance from FY2013 to FY2014, ending June 30, 2014. We have used the Global Reporting Initiative (GRI) G4 guidelines as a reference in preparing this report. This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines, which are listed beginning on page 57.

Please see our **Annual Report** and **SEC filings** for more information on our business performance.

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LETTER FROM WILLIAM P. LAUDER

The success of The Estée Lauder Companies is a direct result of our unique culture that values diversity of thought and people, encouraging an inclusive workplace of unrivaled creativity, innovation and integrity in everything we do.

Corporate Responsibility (CR) is about *how* we do business. How we create long-term value and continually deliver a sustainable business model. How we identify opportunities and risks in a fast-changing world and innovate to continue meeting the expectations of our global consumers. How we build our business by effectively listening and responding to our consumers, our employees, as well as our business and community partners.

This past year marks an important milestone for our Company. We established a dedicated CR function to develop and drive a global CR strategy that maximizes our trusted heritage and the passion of our people to deliver the greatest value to our business and to those we serve.

Our global growth is built on the trust our consumers place in our extraordinary brands, High-Touch services and beautiful quality products. They know our products work, and they know we make them to be safe while caring for people and the environment. That trust stems from the science behind our performance and the family values embedded throughout our daily business.

The integrity of what we do rests in who we are. I continue to be inspired by the remarkable dedication of our global employees – our most valuable asset and our most important ambassadors in the communities where we have a presence. From pioneering philanthropic efforts, including The Breast Cancer Awareness Campaign and M•A•C AIDS Fund, to our global campaigns championing environmental stewardship and workplace safety, our employees have created and nurtured programs that drive and sustain our shared commitment to responsible corporate citizenship.

I hope you are equally inspired as you read our most recent CR report, and I encourage you to explore our website for a more in-depth look at our environmental performance, social investments and our positions on important CR topics.

The business of beauty is rooted in aspiration. In partnership with our suppliers, our retailers, our consumers and all the people we touch, we aspire to foster our heritage of respect and be a positive influence in every community we serve. This, to me, is The Beauty of Responsibility.

Sincerely,

A handwritten signature in black ink, appearing to read 'William P. Lauder'. The signature is fluid and cursive, with a prominent 'W' and 'L'.

William P. Lauder
Executive Chairman



MESSAGE TO STAKEHOLDERS

PAMELA GILL ALABASTER

I am so pleased to have joined The Estée Lauder Companies (ELC) to lead the Global Corporate Responsibility (CR) function. I have always admired the Company, its portfolio of prestige brands, incredible creativity, exceptional entrepreneurial heritage and caring family values. Mrs. Estée Lauder made people feel beautiful and she touched the lives of many. She continues to be an inspiration to women around the world, and her legacy is the brand and Company which carry her name and her family of employees around the world.

The Company's founding values inspire our commitment to operate responsibly and motivate us to advance our sustainability practice and to create and share value with all stakeholders along the value chain.

Since the fall of 2013, we have focused on understanding our internal and external stakeholders' expectations as well as the economic, environmental and social impacts our business decisions and operations create. We conducted stakeholder forums and one-on-one interviews in North America, Europe, Latin America and Asia with more than 100 NGOs, investors, suppliers, retailers, regulators, thought leaders and ELC management to learn more about our stakeholders' views on our sustainability performance.

We also mapped and quantified our environmental and social impacts along our value chain. These insights, combined with best practice benchmarking and knowledge of the global macro forces that will influence all businesses, have helped us assess our current performance, future risks and key areas of opportunity to advance our sustainability practice.

Our new global CR strategy will include measurable targets against which we will report our progress in five foundational areas: Product Innovation/Experience, Sustainable Supply Chain, Efficient Operations, Social Impact and Employees. In addition, we will implement new governance structures, develop climate change strategies, reinforce our human rights policies, integrate sustainability across our brands, regions and functions and communicate our progress. Since our last report in 2012, we have further reduced our greenhouse gas emissions, made advancements in recycling and improved our workplace safety, but there is still more to do. Our new strategy will build upon past achievements and leverage untapped opportunities to sustainably manage our business in a rapidly changing world.

We greatly appreciate the partnership and collaboration of our ELC colleagues around the world and their commitment to realizing ELC's sustainable, responsible and inclusive growth.

We look forward to sharing our progress and welcome your continued engagement. Please visit our website for interim progress reports.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pamela Gill Alabaster'.

Pamela Gill Alabaster
Vice President, Global Corporate Responsibility

OUR COMPANY AT-A-GLANCE

FY2014 COMPANY* OVERVIEW

\$10.97B

Net sales

16.7%

Operating margin

\$3.06

Diluted net earnings per common share**

Product Categories



- 43% Skin Care
- 38% Makeup
- 13% Fragrance
- 5% Hair Care
- 1% Other

Net sales

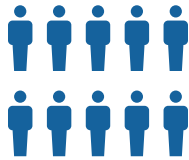
25+

Prestige brands in our diverse portfolio

150+

Countries/territories where brands are sold

OUR WORKFORCE



40K+

Employees worldwide



78%

Of our U.S. workforce is female



51%

Of Senior Vice President positions and above in our U.S. workforce are held by women



43%

Of our U.S. workforce is comprised of minorities***

RESEARCH/ INNOVATION



350

Scientists



7

Research and testing facilities



50+

Scientific disciplines employed

ENVIRONMENTAL & SOCIAL PERFORMANCE



35%

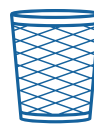
Reduction of Scope 1 and Scope 2 greenhouse gas emissions per unit of revenue in FY2014 from 2008 baseline



Listed in 2014 CDP Climate Disclosure Leadership Index

A- /98

2014 CDP Score



Zero waste from wholly owned manufacturing and distribution sites since 2003



82%

Recycling rate in FY2014

424

Social audits conducted at supplier sites since 2008

.54

Total Incident Rate among our employees in FY2014, a 33% improvement in two years

16,946

Employee volunteer hours in the U.S. in FY2013



435

Community projects served in the U.S. in FY2013



\$53M+

Raised since 1994 by The Breast Cancer Awareness Campaign

*As a result of the Company's July 2014 implementation of its Strategic Modernization Initiative, approximately \$178 million of accelerated orders were recorded as net sales and \$127 million as operating income in fiscal 2014 that would normally occur in the fiscal 2015 first quarter, equal to approximately \$.21 per diluted common share. Fiscal 2015 results will be adversely impacted by the same amounts.

**Attributable to The Estée Lauder Companies Inc.

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

GOVERNANCE AND ETHICS

GOVERNANCE

The Board of Directors provides general direction and oversight of the management of the Company's business. Our Board is led by our Executive Chairman, who is a member of the Lauder family, and we also have an independent Presiding Director. At present, the remaining members of the Board are our President and Chief Executive Officer, nine other non-employee Directors and three additional members of the Lauder family. A majority of the Directors on our Board are independent. Our Board has developed corporate governance practices to help it fulfill its responsibilities. See our **Corporate Governance Guidelines** for more information.

The Board has established the Audit Committee, the Compensation Committee (which includes the Stock Plan Subcommittee) and the Nominating and Board Affairs Committee. Each committee has a written charter that outlines its mission, membership, qualifications and the duties of committee members. For additional information about our Board, committees and committee charters, see the **Leadership** section on our website.

EXECUTIVE COMPENSATION

Our Compensation Committee establishes and approves compensation plans and arrangements for our executive officers. Information regarding our compensation programs, philosophy and approach can be found in our **2014 Proxy Statement**.



PHOTOGRAPH BY: FLOTO+WARNER FOR *FORTUNE MAGAZINE*, "THE FORTUNE 500" ISSUE, MAY 21, 2012.

CORPORATE RESPONSIBILITY GOVERNANCE

In FY2013, we created the role of Vice President of Global Corporate Responsibility with the intent to integrate and advance our corporate sustainability strategy in alignment with our Company's long-term business objectives. The Vice President of Global Corporate Responsibility reports to our Executive Vice President, Global Supply Chain and Executive Vice President, Strategy and New Business Development.

The Sustainability Committee, led by our Vice President of Global Corporate Responsibility, had its inaugural meeting in the fall of 2014. The Committee is a cross-functional team that will support the design and implementation of a sustainability program aligned with our business strategy. In addition, the Committee will advise management on policies and strategies specific to corporate responsibility.

Members of the Committee include executives from Environmental Affairs and Safety, Research and Development, Global Communications, Legal, Global Human Resources, Global Supply Chain, Investor Relations, Building Services, Corporate Strategy, Global Consumer Communications, Global Philanthropy and our key brands' marketing and product development functions. The Committee meets two to three times annually to review and approve goals, strategies, align resources and ultimately engage the Executive Leadership Team in setting and implementing our Company's corporate responsibility strategy. The key functions of the Committee include:

- Set strategic business direction and obtain approval of global strategy and goals
- Develop operational policies and procedures, tools and systems to manage the value chain more sustainably
- Coordinate a plan to ensure organization capabilities and resources
- Engage internal and external stakeholders
- Support product innovation and development to enhance sustainability performance
- Guide product design to drive innovation and growth



PUBLIC POLICY & ADVOCACY

We are committed to the highest standards of professional and personal conduct. Consistent with the commitment to be a responsible citizen in every community we serve, we conduct our relations with governments in places where we do business in accordance with applicable laws and regulations.

LOBBYING AND PUBLIC POLICY POSITIONS

The Estée Lauder Companies' business is affected by legislation and regulations everywhere we operate, market or sell our products. We communicate regularly with governments to share our views on proposed regulation and inform them of the high standards to which we hold ourselves accountable.

From time to time, we may take a position on matters of public policy that could affect our business, employees or the communities we serve. As a matter of Company policy, our business units, members of management or employees may not take positions on matters of public policy or engage in lobbying activities in the Company's name or on the Company's behalf without the approval of the Executive Vice President and General Counsel or the Senior Vice President and Deputy General Counsel responsible for Corporate Government Affairs. Our political policy, public policy and legislative priorities are reviewed periodically with senior management and at the Board level.



POLITICAL CAMPAIGN CONTRIBUTIONS AND EXPENDITURES

The Estée Lauder Companies does not have a political action committee ("PAC"). Consistent with United States federal law, The Estée Lauder Companies does not make political contributions to candidates for federal office.

In accordance with our policy, The Estée Lauder Companies may make a modest number of political contributions to state and local political candidates and parties in the United States, with the approval of the Executive Vice President and General Counsel. In 2011, 2012 and 2013, such contributions overall were less than \$40,000 per year. Contributions are made without regard to the private political preferences of our executives.

Further, as a matter of policy, The Estée Lauder Companies does not use corporate funds to support "527 organizations," 501(c)(4)s, ballot measures or "Super PACs." In addition, we do not make independent political expenditures to influence federal elections and do not allow Company facilities to be used for campaigning or fundraising.



TRADE AND INDUSTRY ASSOCIATIONS

The Estée Lauder Companies works with industry associations and other trade organizations on public policy matters in some of our key markets when we believe that such participation is in the best interests of the Company. Because these associations and organizations have numerous members with different areas of focus, they may address a very broad range of public policy and other matters; as a result, there may be occasions where The Estée Lauder Companies' views on particular issues differ from the views of certain associations or organizations in which we participate.

Approximately \$193,000 of The Estée Lauder Companies' dues paid in 2013 to the United States cosmetics trade association, the Personal Care Products Council ("PCPC"), was identified by PCPC as funds spent on lobbying and political activities. Related expenses identified by other United States associations of which we are members are believed to be insignificant and do not individually exceed \$25,000.

STAKEHOLDER ENGAGEMENT

70+

external organizations engaged in Brazil, China, the United Kingdom and United States, and

100+

global managers and leaders engaged from across the Company.

Collaborating with our stakeholders provides valuable insight on our performance and ways in which we can improve, and helps us to identify risks and opportunities facing our business and industry. Our stakeholders include consumers, customers, employees, investors, retailers, salon owners, non-governmental organizations (NGOs), suppliers, regulators and local communities.

We conducted our first formal stakeholder engagement in FY2013. The feedback supported our focus on setting clear corporate responsibility targets, integrating our strategy across our business and brands, and reporting transparently on our performance. In FY2014, we partnered with Business for Social Responsibility to develop a more robust stakeholder engagement approach with key internal and external audiences. We engaged with more than 70 external organizations in Brazil, China, the United Kingdom and United States, and with more 100+ global managers and leaders from across the Company. Our objective was to strengthen dialogue, understand stakeholder expectations and identify areas deemed most material to our stakeholders.

Our approach included:

- A 16-question, internal sustainability capabilities online survey among 100+ management to help better understand our employees' priorities and preferred target areas for a corporate responsibility strategy
- Conducted 20 one-on-one interviews with key executives and functional leads
- External stakeholder mapping by issue/topic

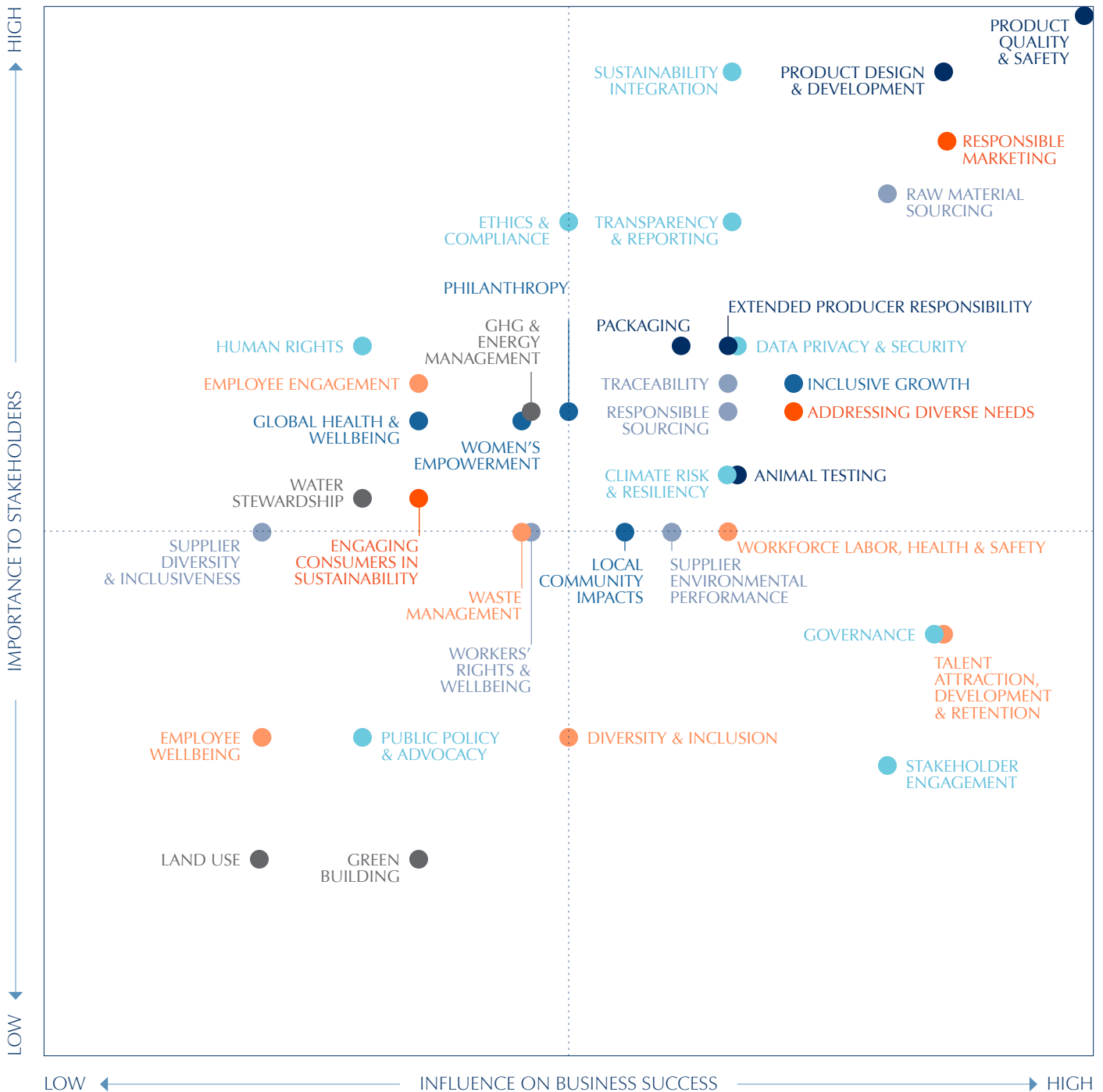
Following the sessions, we prepared and disseminated to all participating stakeholders a summary of what we heard and the opportunities for our business.

The insights from our stakeholder engagement identified key areas of focus including:

- Products and Consumers
- Society, Governance and Ethics
- Operations and Sourcing
- Employees

ELC SUSTAINABILITY ASSESSMENT

In an effort to continuously improve our Corporate Responsibility strategy and follow best practices, ELC engaged in open dialogue with external stakeholders in key global markets, to solicit their feedback on our strategy and sustainability performance. The insights from these engagements combined with internal executive interviews have informed this assessment which maps topics that are relevant to stakeholders and important to advancing our sustainability performance. The map will be used in combination with other assessments to develop our Corporate Responsibility strategy.



KEY:

- Society
- Governance and Ethics
- Operations
- Products
- Sourcing
- Consumers
- Employees

Beyond our formal stakeholder engagements, we facilitate ongoing dialogue with our stakeholders through a variety of channels. Efforts to gain insight into the different views and perspectives of our stakeholders include consumer research, continuous social media monitoring, supplier and employee surveys, investor meetings and our Global Consumer Communications hotline.

ETHICS

We strive to maintain a culture of 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, partners and suppliers to conduct business in accordance with the highest ethical standards and in compliance with applicable laws and regulations. We have a zero-tolerance policy for bribery and corruption.

Our **Code of Conduct** (“Code”) and Supplier Code of Conduct outline our key expectations and policies in this regard.

Newly-hired employees are required to sign an acknowledgement that they have received and will comply with the Code. Each year, approximately 3,700 employees are required to complete a 12-question online certification confirming they have received the Code and will comply with its requirements. Employees are expected to report violations or suspected violations to their supervisor, or to Global Human Resources, our Executive Vice President and General Counsel, or our Chief Internal Control Officer. In addition, employees are able to report suspected violations anonymously by calling our toll-free hotline or sending written mail to a P.O. Box at the address, both available in the Code. 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.

In FY2014, we further enhanced our Global Compliance Program with the launch of a new Global Anti-Bribery and Corruption Compliance Manual (“Manual”). The Manual supplements ELC’s Code of Conduct and contains policies and procedures relating specifically to conduct involving government officials in certain high-risk areas. Similar to the Code, compliance with the Manual is required by all our employees, directors and business partners. In order to promote an awareness and understanding of the new policies and procedures, we commenced worldwide in-person training, beginning with affiliates in high-risk countries such as China, Russia, Brazil and Mexico and key suppliers in China. Approximately 20 training sessions have been conducted to date.



A close-up, top-down view of a dense pile of green tea leaves. The leaves are vibrant green and appear to be a long-leaf variety, possibly a type of oolong or green tea. Interspersed among the green leaves are several bright yellow flower petals, likely from a tea-flowering plant like Osmanthus. The overall texture is intricate and layered. A semi-transparent white rectangular box is centered over the image, containing the word "SOURCING" in a dark blue, serif font.

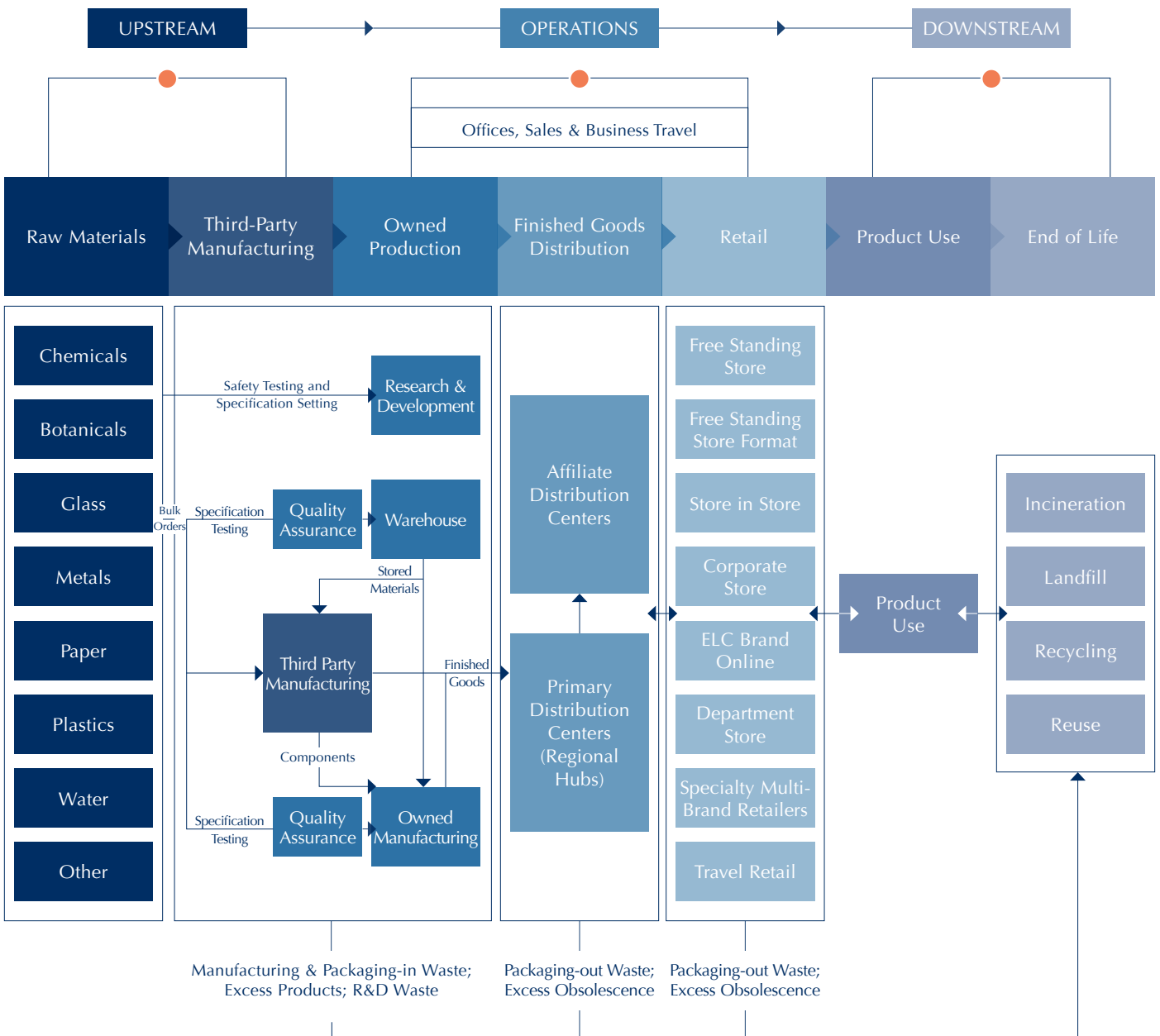
SOURCING

OUR GLOBAL SUPPLY CHAIN

Beauty is in the detail. From high-quality ingredients in our cosmetics to our iconic packaging, our suppliers help our brands produce our renowned prestige beauty products. Working with suppliers as partners, we collaborate on how to improve their management of environmental and social impacts, encouraging good governance as a key priority.

In FY2014, we partnered with consultant PricewaterhouseCoopers to map our value chain (below) and identify and quantify the social and environmental impacts of our operations. The analysis showed that 60 percent of the environmental impacts occur upstream in our supply chain, before we have direct operational control.

VALUE CHAIN



RESPONSIBLE MANAGEMENT IN PRACTICE

Since 2008,

424

independent third-party supplier social compliance audits

123

self-assessment questionnaires have been completed

RISKS AND CHALLENGES

Global supply chains are vulnerable to risks such as natural disasters, fluctuating resource availability, political conflict and unrest, and evolving trade regulations. Ensuring sustainable practices within our supply chain allows us to better manage such risks, mitigate supply chain disruptions, ensure supply chain agility and create value for stakeholders along the value chain. We currently conduct annual supplier risk assessments for certain suppliers to identify potential non-compliance with our Supplier Code of Conduct and to prioritize compliance monitoring. We have also begun working closely with our suppliers to improve traceability and reduce social and environmental impact in key commodities such as **palm oil**.

We assess risk by geography, using mapping and modeling tools that help us pinpoint key and emerging issues by region. These tools have helped us to better identify and track labor and social compliance risks. Recognizing broader risks, such as those related to bribery and corruption, geopolitics and natural disasters, remains a challenge. To better address an increasingly complex risk environment, we are planning enhancements to our holistic supply chain risk assessment management system including the use of ethical sourcing platforms that share compliance data across a broad array of suppliers.

Our procurement activities worldwide are overseen by Global Supplier Relations, supported by representatives in each region. This department, in partnership with Global Quality Assurance, Research and Development and Global Regulatory Affairs is responsible for ensuring that all our products meet safety, regulatory and quality standards.

In FY2014, we enhanced our Supplier Sustainability Assessment Program with the intent to:

- Create, protect and grow long-term environmental, social and economic value for stakeholders involved in bringing our products to market
- Increase competitiveness and build resiliency in the supply chain by identifying, assessing and managing supply chain risks and opportunities

We use a combination of monitoring and self-reporting to assess the sustainability performance of our suppliers.

SUPPLIER CODE OF CONDUCT

Our mandatory Supplier Code of Conduct sets clear expectations for our partners to meet or exceed applicable environmental, human rights, labor, and health and safety laws, and comply with regulations in the countries where we do business.

Our aim is to work collaboratively with our suppliers to build their capacity to meet and continuously improve on their environmental, labor and safety performance. At the same time, compliance with our Supplier Code of Conduct is mandatory to do business with us, and all new suppliers must complete a self-assessment questionnaire and agree to an independent audit. Third-party audits are also conducted annually among certain existing suppliers to identify potential challenges and noncompliance. Since 2008, 424 independent third-party supplier social compliance assessment and 123 self-assessment questionnaires have been completed at our request.

122

suppliers and third-party manufacturers were asked to complete the Sustainability Scorecard assessment in 2014

SUPPLIER SCORECARDS

In FY2014, we enhanced our Supplier Sustainability Assessment program by creating a Supplier Sustainability Scorecard. This process expands our efforts to assess suppliers' sustainability performance for packaging and third party manufacturing at the facility level. Our existing Green Chemistry Scorecard assesses the sustainability of raw materials.

The new Sustainability Scorecard assesses governance practices and environmental and social impacts of suppliers with whom we spend greater than \$1M annually as well as new suppliers targeted for growth. In 2014, we asked 122 suppliers and third-party manufacturers (representing 42 percent of our supplier base and 90 percent of our annual supplier spend) to complete the assessment. We will use this information to establish a baseline rating for each supplier, to identify opportunities for improvement and to reward exceptional performance.

AWARDING EXCELLENCE IN OUR SUPPLY CHAIN

In addition to setting standards for our suppliers, we believe in proactively rewarding excellence within our supply chain. We recognize outstanding suppliers through our annual Supplier Excellence Awards. Each year, we ask ELC leaders from across the organization to evaluate supplier performance in the following categories: Operating Performance, Innovation and Sustainability.

RESPONSIBLE SOURCING

Many of our brands use natural resources from around the world. We endeavor to source our ingredients responsibly and with respect for local communities and the environment. We expect our suppliers around the world to comply with local regulations and national laws governing minimum wages, work hours, overtime compensation, hiring, occupational safety and biodiversity.

In 2014, we formed an internal Responsible Sourcing Working Group that meets regularly to review our sourcing standards, analyze and benchmark best practices, engage key stakeholder groups and develop and implement policies to advance responsible sourcing practices within our Company.





AVEDA HELPS FUND NEW WATER SYSTEMS IN INDIA

CASE STUDY: SOURCING AS A COMMUNITY PARTNER

AVEDA has been partnering with Nisarga, an ingredients supplier, and its organic farms in India for more than five years. Nisarga, which means “nature” in Sanskrit, grows herbs using organic agriculture methods and utilizes environmentally friendly extraction methods for its high-quality botanicals. Currently, AVEDA sources organic turmeric and amla (Indian gooseberry) from Nisarga for use in Invati™ and other products. While working with Nisarga, AVEDA learned that the Umbari villages from which their turmeric was being grown had limited access to clean water.

In partnership with the Global Greengrants Fund and the non-profit Action for Women and Rural Development (AWARD), AVEDA helps fund new water systems throughout the Umbari villages and helped provide 800 villagers with safe drinking water year round. Further, the women in the villages no longer need to walk long distances to collect water.

Following the success of this program, AVEDA has begun working with AWARD on two new projects that focus on educating villagers about water resources and nutritional needs, diversifying local food options through sustainable agriculture, and helping villagers identify stable and varied sources of income.

We believe we have a responsibility to help manage the environmental and social impacts of all palm materials we source.

PROTECTING PRECIOUS RESOURCES

PALM OIL

Palm oil, the most widely used vegetable oil, is a globally traded agricultural commodity used in approximately half of all consumer goods like packaged foods and personal care products as well as biofuels. While the personal care products industry represents less than 1% of global palm oil usage, we at The Estée Lauder Companies are sensitive to the issues and complexities surrounding its sustainable production and traceability.

Increasing demand for palm oil has had measurable environmental and social impacts including deforestation, habitat destruction and biodiversity loss. A few of our brands use palm oil that is extracted from the palm fruit. We source this palm fruit oil from certified sustainable sources. In addition, the majority of our brands also use certain ingredients that are derivatives of palm kernel oil (PKO), processed by our suppliers. The Estée Lauder Companies has already begun to substitute existing non-certified PKO derivative ingredients with Roundtable on Sustainable Palm Oil (RSPO) certified Mass Balance (MB) alternatives in some of our formulae. This substitution process is expected to continue over several years.

Although The Estée Lauder Companies is a comparatively low-volume user of palm oil, palm fruit oil, PKO and PKO derivatives, we believe we have a responsibility to manage the environmental impacts of all palm materials we source. We are committed to working in collaboration with our suppliers to further enhance the traceability of PKO derivative ingredients we use and to the development of sustainably sourced alternatives for our Company.

Our internal Palm Oil Working Group has engaged with suppliers and organizations knowledgeable on sustainable palm sourcing, while seeking sustainable PKO derivatives, where available, to replace existing materials.

As a result of our ongoing commitment to support sustainable palm oil sourcing, we have established a more comprehensive policy and a plan for greater traceability and policy compliance among high-volume palm oil, PKO and PKO derived ingredient suppliers from which we procure directly. We are committed to purchasing more than 50% of our palm/PKO based material volume as MB or segregated by 2020.



Our enhanced actions and goals include:

- We have adopted a no-deforestation policy, which requires our high-volume suppliers to ensure that they prohibit new clearing or palm development on High Carbon Stock (HCS), High Conservation Value (HCV) forests and peat lands or the use of fire for the preparation of new planting or re-planting. By the end of 2015, all suppliers of ELC's high-volume palm oil, PKO and PKO derived ingredients will be required to provide third-party verification that they are complying with our no-deforestation policy.
- As a member of the RSPO, we are committed to sourcing our PKO and PKO derivative ingredients from certified sustainable sources and from suppliers that can:
 - Demonstrate their compliance with the RSPO Principles and Criteria.
 - Support the elimination of deforestation of HCS forests, HCV forests and peat lands.
 - Provide source traceability.
- Until The Estée Lauder Companies is able to purchase 100% PKO derivative ingredients traceable to known and certified sources, we will annually purchase Green Palm Certificates to offset the use of non-sustainable PKO derived ingredients that we procure directly. Green Palm is a certificate trading program, which contributes toward more sustainable palm oil products.
- Our Company seeks to have more than 50% of our overall palm-based material ingredient (by volume) MB or segregated RSPO certified by 2020.
- ELC will map the supply chain for our high-volume palm oil, PKO, and PKO derived ingredient suppliers and assess the sourcing policies and practices of these key suppliers.

We remain committed to acting responsibly and will continue to work with our suppliers and industry partners and other like-minded organizations to find the best ways to encourage and support the development of sustainable palm oil production.





OPERATIONS

OVERVIEW OF OPERATIONAL IMPACTS

We consider the environmental impacts that occur throughout our value chain and focus our efforts where we can make the most difference: reducing operational impacts from our wholly owned production (manufacturing and packaging), distribution and retail facilities. All of our manufacturing, packaging and distribution facilities implement our Environmental Safety Management System, which adheres to Company environmental and safety policies set by the corporate Environmental Affairs and Safety team. All of our wholly owned manufacturing facilities are certified to ISO 14001.

ENERGY AND EMISSIONS

GREENHOUSE GAS EMISSIONS AND CLIMATE CHANGE

We work to reduce our contribution to global climate change by conserving energy, investing in renewable sources of energy and mitigating greenhouse gas (GHG) emissions. We calculate our GHG emissions according to the GHG Protocol Corporate Accounting and Reporting Standard and include emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and hydrofluorocarbons (HFCs).

ABSOLUTE GHG EMISSIONS BY SCOPE (METRIC TONS CO₂e)***

FY2013				
REGION	SCOPE 1	SCOPE 2	SCOPE 3	TOTAL
North America	17,549.551	35,975.922	25,478.951	79,004.424
Latin America	898.092	822.995	636.508	2,357.595
APAC	1,042.107	9,035.281	9,292.283	19,369.671
EMEA	10,366.652	6,755.581	2,238.973	19,361.206
United Kingdom	3,385.444	5,365.780	1,360.069	10,111.293
Aerosol**	N/A	N/A	19,304.106	19,304.106
TOTAL	33,241.846	57,955.559	58,310.890	149,508.295

FY2014*				
REGION	SCOPE 1	SCOPE 2	SCOPE 3	TOTAL
North America	17,610.614	37,538.678	21,910.369	77,059.661
Latin America	810.262	631.498	1,538.649	2,980.409
APAC	1,008.336	12,107.059	8,212.500	21,327.895
EMEA	8,918.863	7,316.939	2,872.032	19,107.834
United Kingdom	2,981.725	5,215.114	1,420.182	9,617.021
Aerosol**	N/A	N/A	24,125.938	24,125.938
TOTAL	31,329.800	62,809.288	60,079.670	154,218.758

* FY2014 data is preliminary and was still being finalized at date of publication.

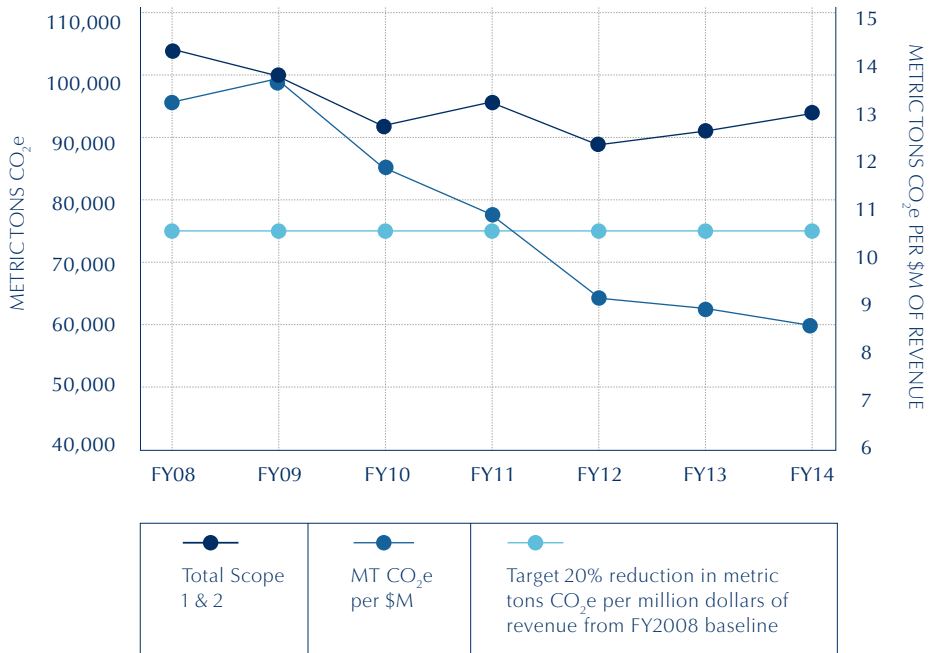
** A small number of our aerosol products utilize H152A as a propellant. We chose to include this within our Scope 3 emissions as the use of such products by the consumer is a direct discharge of a greenhouse gas.

*** Reference corrected on 3/19/15 to reflect the correct unit of measure as "thousands" of metric tons.

In FY2014, our absolute emissions totaled 154.2 thousand metric tons* CO₂e which is a 3 percent increase from FY2013. Our emissions increased due to business growth in our retail operations and affiliate footprint.

Our 2015 target is to reduce our Scope 1 and Scope 2 emissions intensity per unit of revenue by 20 percent, using 2008 as a baseline. We have already exceeded this target, achieving a 35 percent reduction in FY2014. We will evaluate future emissions reductions aspirations and set a new goal to guide our efforts in the coming years.

GHG EMISSIONS FROM OPERATIONS

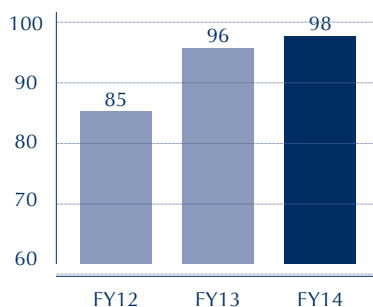


CDP REPORTING

We annually report our GHG emissions to CDP (formerly the Carbon Disclosure Project). In 2014, we were proud to be named to the Climate Disclosure Leadership Index. This recognition follows improvements in both our performance and disclosure scores from FY2012 (see below). We aim to join CDP’s supply chain program in FY2015 as we continue to strengthen our environmental reporting and disclosure.

CDP SCORES

PERFORMANCE SCORE



DISCLOSURE SCORE

FY14	A-
FY13	A
FY12	C

* Reference corrected on 3/19/15 to reflect the correct unit of measure as “thousands” of metric tons.

ENERGY EFFICIENCY

MANUFACTURING, DISTRIBUTION AND RETAIL

The energy we use in our manufacturing, distribution and retail is the largest contribution to our GHG Scope 1 and 2 footprint. In addition to ongoing energy efficiency initiatives, such as the use of ENERGY STAR equipment and high-efficiency airflow and temperature management systems, we are piloting a number of new programs:

- **Lighting standards:** We are developing new standards for lighting efficiency and have implemented the use of LED technology at our Whitman, United Kingdom and Melville, New York facilities as well as our Pennsylvania logistics and distribution centers. In addition, we are currently conducting a trial installation at our Keystone, Pennsylvania facility. LED is about 85 percent more energy efficient than incandescent lighting and LED bulbs last 20-times longer, imparting energy and cost savings as well as reduced maintenance where they are installed. The results of our installations and trials will help inform a new Company-wide standard for light quality and technology at our owned manufacturing and distribution facilities.
- **LED lighting in retail:** Since 2013, all new and renovated free-standing AVEDA stores use LED lighting for all ceiling and product display lighting. A number of the Cosmetics Company Stores have swapped all conventional light bulbs for LED and going forward the Cosmetics Company Stores will use LED in all new construction. In addition to energy savings from lighting, these efforts have resulted in improved color quality in stores, reduction in universal waste from spent bulbs and reduced demands on HVAC, since LED lights give off less heat than halogen lamps.
- **Energy dashboards:** New technology enables us to monitor plug load, HVAC systems and more, generating a live dashboard of energy consumption for each of our manufacturing, distribution and assembly facilities. The dashboard allows us to monitor energy demand in real time and make immediate adjustments to conserve energy and improve operational efficiencies. We conducted a successful pilot installation of this technology at our Keystone, Pennsylvania facility and will continue to use this technology at the facility. We are moving forward with installation at our Whitman, United Kingdom facility while exploring the use of this technology in additional locations.



WHITMAN FACILITY SAVES ON FUEL

Recognizing that natural gas is cleaner and results in less emissions than fuel oil, the Whitman plant in the United Kingdom converted three oil-burning boilers to run on natural gas. Completed in January of 2014, the \$300,000 project will save approximately 900 metric tons of CO₂ each year and will provide a return on investment in about two years.

OFFICES

We have improved the energy efficiency of the lighting in our New York City offices, replacing T12 fluorescent light bulbs with energy efficient T8 light bulbs and electronic ballasts and installing occupancy sensors in private offices, pantries and copy rooms at several office locations. The improvements are expected to achieve a three-year return on investment. The initial utilities cost savings on this initiative in a 12-month period are approximately \$65,000.

Building Management Systems were installed at several offices to better control heating, ventilation and air conditioning (HVAC), and lighting. The systems allow us to remotely monitor and control energy use and adjust for weekends and holidays, further reducing operational costs and emissions. We also upgraded several rooms at our New York City headquarters to be independent of building-controlled HVAC, meaning each room has its own air conditioning unit. This upgrade helps decrease associated electricity and water usage.

TRANSPORT

We consider the impacts from transportation in our own operations and look for opportunities to improve. For example, we improved fuel mileage by eliminating 6-cylinder vehicles in our 700-vehicle sales fleet, resulting in close to 150 metric tons of CO₂e savings since FY2012. We track and monitor our employee travel as well, and have reduced our associated emissions by 12.5 percent since FY2012 in part by utilizing video conferencing and virtual meetings.

To reduce our transportation impacts outside of our own operations, we favor carriers that have initiatives to reduce their emissions and that are members of EPA SmartWay. We limit the number of days suppliers can ship into our facilities and discourage the use of air freight by our carriers.

RENEWABLE ENERGY

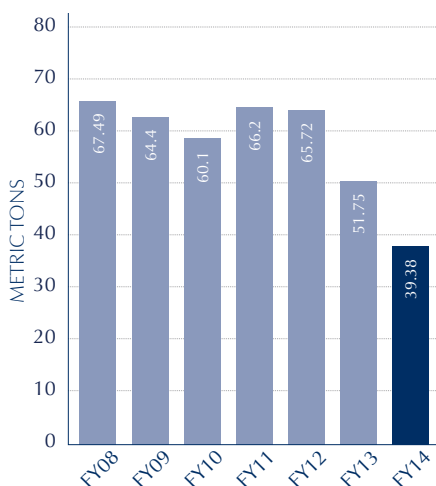
We purchase renewable energy from utilities and renewable energy offsets for all of our manufacturing and distribution facilities. Origins and AVEDA continue to purchase Green e-Certified renewable energy credits to offset electricity used in their North American retail stores. AVEDA also purchases credits and offsets for all electricity used in its headquarters, company-owned training institutes and sales offices, in addition to offsets for the emissions from consumer use of its aerosol hairsprays. Bumble and bumble has purchased Green e-Certified renewable electricity credits to offset the electricity used in its New York City offices and salons.

Past investments in on-site renewable energy continue to generate modest benefits — we produce approximately 820 kW of power from solar panels installed at four of our factories.

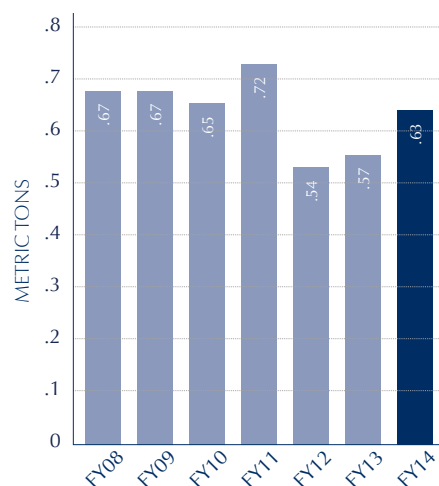
OTHER EMISSIONS

Some of our manufacturing produces non-GHG emissions such as volatile organic compounds (VOCs) and particulate matter (PM). We implement technology to limit the release of VOCs during manufacturing and utilize closed-loop systems and dust collectors to prevent PM emissions. In FY2014, our VOC air emissions decreased by approximately 25 percent from FY2013 due to the implementation of new technology for capturing emissions in a perfume filling facility. Our particulate emissions rose 11 percent due to an increase in overall energy consumption.

VOC EMISSIONS



PM EMISSIONS

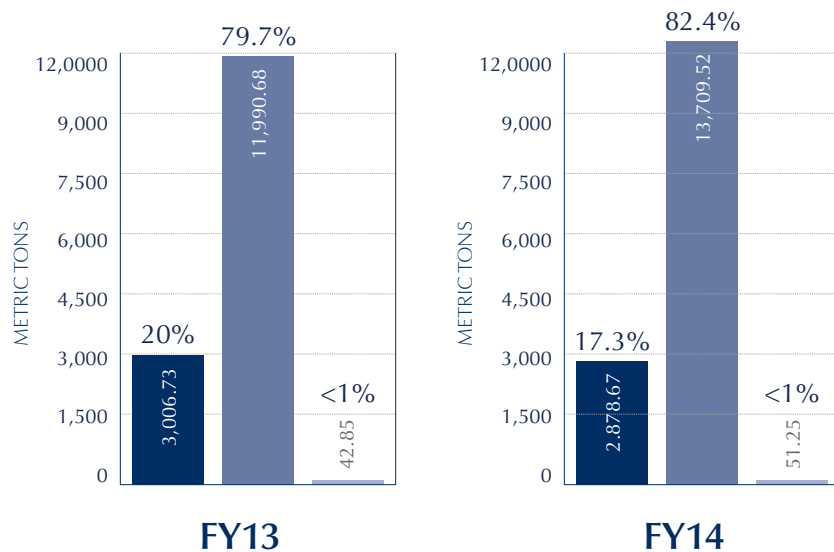


WASTE AND RECYCLING

Our business produces many types of waste that we strive to reduce and recycle, where possible. Types of waste our business produces includes:

- Cardboard
- Wooden pallets
- Metals
- Plastic
- Glass
- Bulk and excess items
- Obsolescence
- Electronic Waste (E-Waste)
- Ethanol
- Finished goods
- Packaging components
- Quality rejects

DAILY WASTE AND RECYCLING FROM WHOLLY OWNED MANUFACTURING AND DISTRIBUTION SITES



KEY:

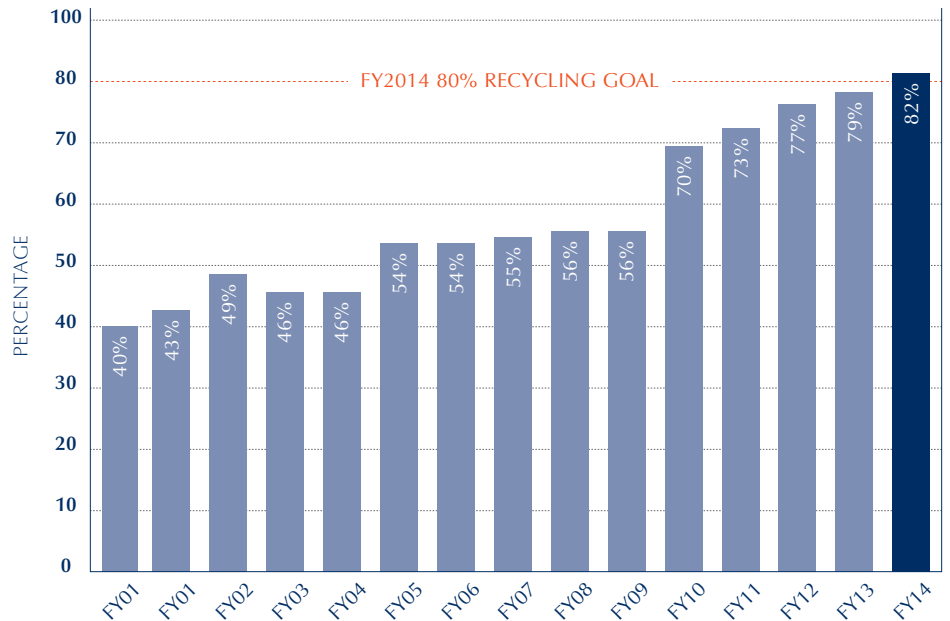
■ Non-Hazardous Waste ■ Recycling ■ Hazardous Waste

We are proud that our wholly owned manufacturing and distribution sites have operated as zero landfill facilities since 2003. Any waste that cannot be recycled is incinerated and converted to energy at licensed power plants. We are evaluating the expansion of our 2020 goal of zero waste-to-landfill to our affiliate operations and are completing a gap analysis in FY2015 to develop the strategy.

We also set an 80 percent recycling rate goal by FY2014, which we surpassed - achieving 82 percent during the year. This was made possible by the committed efforts of our global waste minimization team, comprising representatives from each of our wholly owned manufacturing and distribution sites. Waste assessments were performed at each site to identify opportunities to increase recycling and a recycling index was created listing facilities that accept items that are typically difficult to recycle, such as nail polish.

Our new recycling target for FY2015 is 84 percent. To continue to boost our recycling rates, we plan to conduct waste audits for our large manufacturing facilities to identify methods to improve efficiencies, reduce waste generation and further increase recycling.

RECYCLING RATES FOR WHOLLY OWNED MANUFACTURING AND DISTRIBUTION SITES



GREEN BUILDING

In FY2014, we formed a Green Buildings Working Group to develop and implement green building guidelines that help ensure environmentally-sound practices during planning, construction and pre- and post-occupancy phases for manufacturing, retail and office spaces globally. The guidelines will cover the selection of environmentally-friendly materials, effective resource use and indoor air quality, and will include suggested methods to improve operational efficiencies in energy usage. This information will be provided to all of our building contractors.

We are partnering with the Natural Resources Defense Council (NRDC) on a pilot program to help us achieve maximum energy efficiency while renovating current office space. We are incorporating new measures for lighting, HVAC, plug load and metering into all new renovation projects. Through this partnership we aspire to achieve new global building standards in FY2015.

In addition to environmental standards for purchase of new materials such as carpet, flooring, ceiling tiles and paint, we encourage the reclamation and reuse of construction materials and office fixtures in our United States office spaces. These include door assemblies, light fixtures, furniture and appliances. We require all contractors to divert at least 80 percent of all construction and demolition waste from landfill. Some go above and beyond that requirement. For example, our Miami Travel Retail office renovation diverted 93 percent of construction debris from landfill and returned doors, light fixtures and signage to the landlord for reuse.

WATER

None of our manufacturing facilities are in water-stressed areas but we are mindful of the rising trend in water scarcity. This is why we are exploring opportunities to conserve water across our operations and look to best-practice examples at our facilities and from other sector leaders for inspiration. For example, our Oevel Plant in Belgium installed an innovative waste water treatment system called a Micro Biological-Reactor in FY2013. This has significantly improved the quality of effluent leaving our plant.

In FY2014, total water use by our manufacturing sites was 539,639 cubic meters, a 2.1 percent reduction from FY2013, mainly due to the closure of one of our U.S. manufacturing facilities.

In FY2015, we intend to complete a corporate water footprint analysis to better understand how we use water in our value chain. We will develop and implement appropriate conservation programs based on the findings.





RESEARCH AND
DEVELOPMENT

OVERVIEW

Nature, science and the high expectations of our consumers inspire our researchers to develop ground-breaking luxury products and experiences for our consumers around the world.

Our integrated global Research and Development network includes facilities in Belgium, Canada, China, France, Japan and the United States.

PRODUCT SAFETY

350

Scientists with
degrees in

50+

disciplines

7

Research and
testing facilities

Our diverse consumers around the world trust our brands to deliver the best beauty performance, safely. We set exacting safety standards in everything we do, make and market, everywhere.

Overseen by our Senior Vice President, Product Integrity and Regulatory Affairs Worldwide, our well-established and robust safety process includes review and evaluation of ingredients and finished products. Our toxicologists and safety experts assess the safety of every natural and synthetic ingredient before they can be used in our products. We consult external scientists as needed and closely monitor peer-reviewed scientific research as well as consumer feedback on our products in the market.

We closely track and comply with regulations related to cosmetic products and ingredients. All products developed and manufactured by our Company and materials from our suppliers are safe to use as intended. For up-to-date information on our Company's position on specific ingredients, please visit **our website**.

OUR SAFETY PROCESS

We conduct rigorous safety and quality control checks during product development and manufacturing. Three steps guide the design and development of all of our products.

1. Establish safety, efficacy, quality and purity of every raw material
2. Evaluate all formulas, including reformulations of existing products, before release to market, a process that includes:
 - a. Review of all ingredients in finished product
 - b. Safety assessment and validation of finished product
3. Conduct post-market surveillance of product safety through review of consumer feedback

ANIMAL WELFARE

We utilize the latest advances in non-animal safety testing and human volunteer testing to deliver products of the highest safety and quality to our consumers. We do not test our products or ingredients on animals, or ask others to test on our behalf, except where required by law.

We are proud that we were one of the first cosmetic companies to establish that cosmetic safety can be demonstrated by non-animal testing methods. There are, however, still some countries that believe they need to conduct or require animal testing in order to validate the safety of cosmetic ingredients, or products. Our Company and all of our brands remain dedicated to the elimination of animal testing on all cosmetic products and ingredients worldwide. We believe that animal testing should not be needed to validate safety of cosmetic products or ingredients, and we are encouraging the use of alternatives and the elimination of animal testing globally.

See our website for **full statement**.

GREEN CHEMISTRY

Green Chemistry is a scientific framework that seeks to reduce the negative environmental impacts of chemical products and processes. The 12 principles of Green Chemistry are the basis of this framework and are applied across all industry sectors.

We support these principles and have analyzed our raw materials for their environmental impacts, eco-toxicity, persistence and bioaccumulation. The resulting scorecards for each raw material are stored in our green chemistry database. This data is available for use by our brand chemists to select ingredients according to sustainability criteria.

The database is continually updated and is a vital scientific and business tool, helping us manage the dynamics of this important field. The availability of current data and analysis helps us develop new products that are assured to meet or exceed current global standards. Green Chemistry will continue to be an essential part of the way we work.



PACKAGING

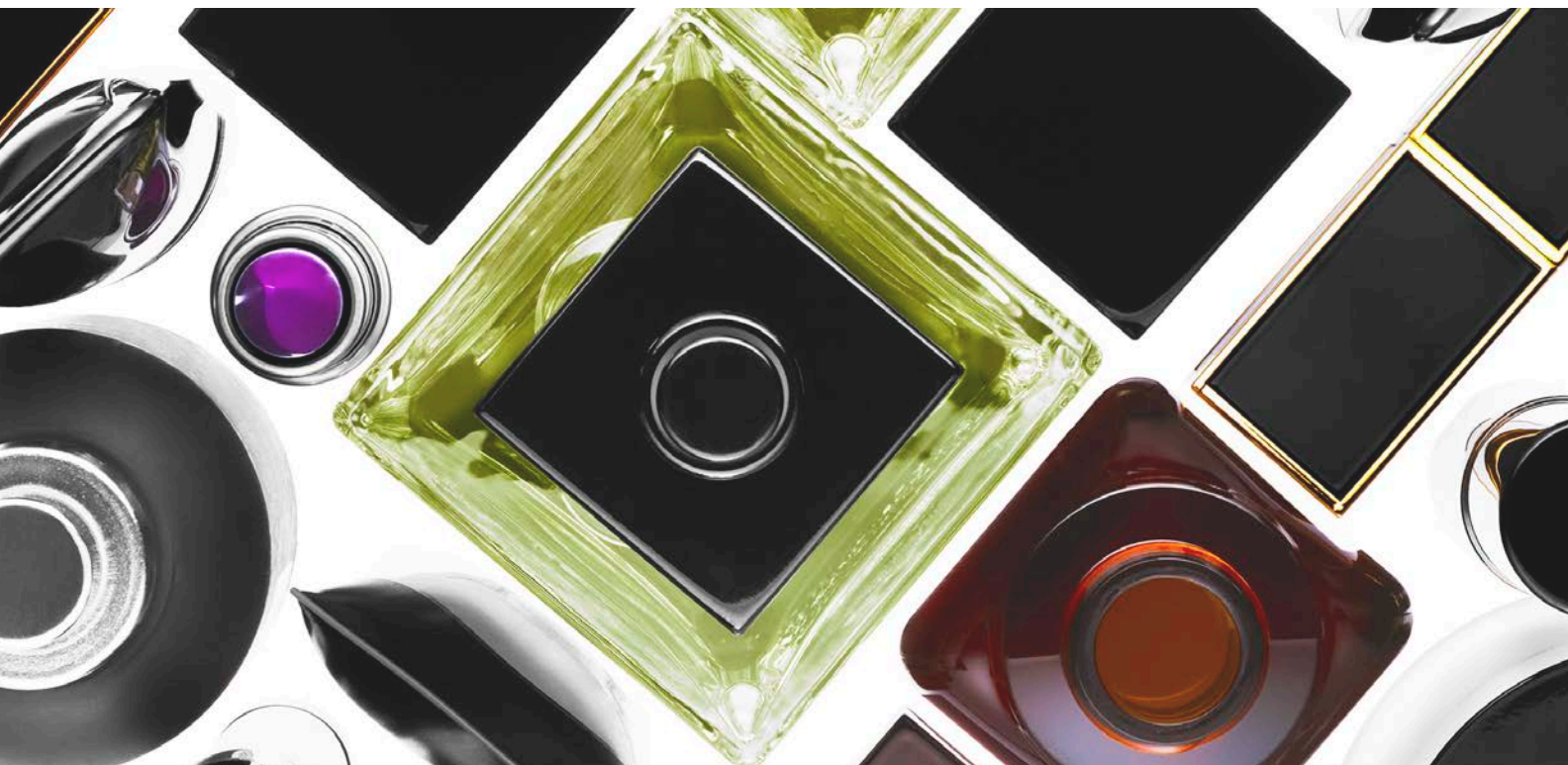
For many, packaging is the first introduction to our products. As with everything we do, we maintain a high aesthetic for the design and usability of our packaging, which must conform to our brand standards and meet the expectations of our consumers. We believe that our packaging can meet these needs responsibly.

As early members of the Sustainable Packaging Coalition and the Sustainable Packaging Cosmetic Roundtable, we encourage the use of sustainable materials in our packaging and promote responsible production practices.

For example, we have recently invested in lifecycle analysis (LCA) software which helps identify environmental impacts associated with packaging materials and design (as well as other elements of the production). Our packaging engineers are currently being trained to use this software and we plan to integrate LCA modeling into at least three projects in FY2015.

We work collaboratively with our suppliers to reduce impacts of packaging. In FY2013 and FY2014, we:

- Continued to encourage our suppliers to identify sustainable, renewable and recycled materials, such as post-consumer recyclable (PCR) plastics, glass, metal and paper
- Worked with suppliers to test the use of resins made from plant-based biopolymers for product packaging. Plant-based resins, such as those derived from sugarcane, produce fewer greenhouse gas emissions than plastics made from fossil fuels
- Worked toward our goal of sourcing 100% of our paper used in packaging from FSC-certified suppliers
- Mandated use of corrugated shippers and carriers made from at least 70 percent recycled materials





CASE STUDY:

SUSTAINABLE PACKAGING AND AVEDA

AVEDA's approach to packaging is to reduce the size, weight and process inputs of packaging while maximizing the use of recyclable and post-consumer recycled (PCR) materials. For example, Invati™ Exfoliating Shampoo and Stress-Fix™ Body Lotion are packaged in 100 percent post-consumer high density polyethylene (HDPE) bottles. AVEDA's Dry Remedy conditioner and moisturizing masque tubes are made of a minimum of 59 percent post-consumer HDPE and up to 41 percent bioplastic, 96 percent of which is derived from sugarcane and 4 percent from petrochemical.

In FY2014, AVEDA was honored by the Cradle to Cradle (C2C) Product Innovation Institute with the Legacy Leaders award in part for its achievements in increasing the reusability of materials. AVEDA has received C2C certification for seven of its products, including its Invati™ haircare system.

A collage of various cosmetic products including blush, lipstick, and eyeshadow palettes. The products are arranged in a grid-like pattern. The central focus is a large, square blush palette with a gradient from light pink to dark red. Surrounding it are other items: a round pink blush, a round red blush, a rectangular orange eyeshadow, a rectangular purple eyeshadow, a rectangular red and pink lipstick, a round black eye shadow, a rectangular red and pink lipstick, a round black eye shadow, a rectangular orange eyeshadow, a round red blush, and a rectangular red and pink lipstick. A large, semi-transparent grey rectangle is overlaid on the center, containing the word "CONSUMERS" in a blue, serif font.

CONSUMERS

CONSUMER ENGAGEMENT

750K

Approximate number of global inquiries handled by our Consumer Care Centers in FY2014

Our goal is always to anticipate, meet and exceed our consumers' desires and to provide them with what they want, how they want it and with the highest level of service.

Our consumers communicate with us about topics ranging from product ingredients to the quality of our service. Our five Consumer Care Centers are placed strategically around the globe to respond to general queries, suggestions and comments, and provide additional information when requested. We can also be reached through our retail stores, our brand web sites, toll-free numbers and our social media channels.

CONSUMER SATISFACTION

While our goal is 100 percent consumer satisfaction, we realize this might not always be achievable. We measure satisfaction performance through surveys and analysis of consumer feedback. In FY2014, our Consumer Care Centers handled nearly 750,000 inquiries globally. Our senior managers in our brands and corporate functions review and discuss consumer concerns monthly.



DKNY'S BE DELICIOUS FRAGRANCE AT DEPARTMENT STORE GUM IN MOSCOW, RUSSIA

COMBATTING COUNTERFEITING

The success of our global business is built on the trust that our consumers place in the safety and efficacy of our products. We are committed to preventing the sale and distribution of counterfeit products, which are manufactured illegally and branded to deceive consumers.

Counterfeit products may contain ingredients that we would never use. These ingredients might be banned or used at levels that are deemed inappropriate. Furthermore, counterfeit products may lack proper safety testing and often may not deliver the intended benefits of the authentic product.

The only way to ensure authenticity is to purchase through authorized online or in-store retailers, or directly from our brands. Our dedicated experts work closely with law enforcement agencies to eradicate counterfeiting activity in every region by:

- Continuously monitoring online activity and taking down unauthorized websites that sell counterfeit products
- Providing assistance to law enforcement officials as they pursue criminal investigations
- Filing civil legal actions and partnering with prosecutors on criminal actions

Our efforts against counterfeiting have led to a significant amount of illegal products being removed from the market.

PRODUCT RELEVANCE AND ACCESSIBILITY

We embrace, and are inspired by, the distinctive needs and tastes of our prestige global consumers. We continually innovate to introduce new products and services that are locally relevant, so that we serve diverse consumers with unique preferences.

Our Corporate and brand teams take into account local environmental factors and climactic conditions, such as humidity and pollution when developing products and services. We consider differing shopping preferences, requirements, cultural traditions and expressions, experiences and market dynamics so that all of our consumers, wherever they live, can easily access and be delighted by our products and High-Touch services. For example, in FY2014, Clinique launched a flagship online store on Tmall, a Chinese-language shopping platform, attracting more than 100,000 new consumers to the brand in the first year. Many of those consumers live in smaller Chinese cities where Clinique freestanding stores are not yet available.





OUR PEOPLE

GLOBAL WORKFORCE

We seek out the best people and empower them to succeed. The success of ELC is a direct result of our unique culture that values diversity of thought and people, and encourages creativity and innovation in every aspect of our business.

We strive to ensure our employees are respected and have opportunities to thrive without regard to race, creed, color, religion, gender, age, national origin, alienage or citizenship status, sexual orientation, gender identity or expression, marital, partnership or familial status, disability, genetic information, veteran, military status, domestic violence victim status or any other characteristic protected by law. The Company's commitment to fairness and equality are reflected in the anti-discrimination and anti-harassment policies contained within our **Code of Conduct**.

RECRUITING TOP TALENT

Through our Presidential Management Associate Program, top business school graduates with more than five years of work experience participate in an accelerated two-year rotation program, which prepares them for rewarding careers at ELC. Participants complete four rotations of increasing responsibility with a variety of global brands and functions, with exposure to senior executives and formal mentors available throughout the program. Upon completion, participants are matched to a manager- or director-level role based on existing business needs, experience and evaluations.

Our Senior Presidential Associate Program offers a similar accelerated career development opportunity for individuals who have a Master's degree in a specialized field or an MBA in a specialized field with two to four years of work. Our Presidential Associate Program offers college graduates with no work experience an 18-month rotational program within critical business functions. To date, we've employed 50 people through these programs, cultivating the next generation of leadership at ELC.



INCLUSION AND DIVERSITY

Diversity by the Numbers:

78%

Of our U.S. workforce is female

51%

Of Senior Vice President positions and above in our U.S. workforce are held by women

43%

Of our U.S. workforce is comprised of minorities*

15%

Of Senior Vice President positions above in our U.S. workforce are held by minorities

47%

Of our Board of Directors is female

42%

Of Executive Leadership positions are held by women

39%

Of global General Manager positions are held by women

OUR APPROACH

Our consumers are in more than 150 countries and territories, reflecting the diversity of today's global economy. The unique mix of ideas and experience of our employees helps enhance our business. We know that diverse teams and perspectives are critical drivers of creativity and we are committed to cultivating a respectful and inclusive workplace where all employees can reach their full potential.

In 2012, we began implementing our three-year Global Inclusion and Diversity Action Plan to guide our inclusion and diversity efforts at the corporate level.

Our strategy has three pillars:

- Diversity Leadership: Foster inclusion and diversity, encouraging leadership and accountability from every chair
- Inclusion: Drive creativity and innovation through a globally inclusive culture
- Talent Management: Identify and leverage the best talent across geographies

DIVERSITY LEADERSHIP

Our commitment to inclusion and diversity starts at the top. Marilu Marshall, Senior Vice President, Global Human Resources and Chief Diversity Officer (CDO), is responsible for guiding the strategy and execution of our inclusion and diversity programs. She is supported by the Global Diversity Council of 21 management leaders, which is co-chaired by our Executive Chairman, William P. Lauder, and our President and CEO, Fabrizio Freda.

We are pleased with our progress in increasing the diversity of our leadership. Our Executive Leadership Team (ELT) is comprised of 42 percent women, with 49 percent of its members having lived in and/or worked in countries other than their own. This helps the ELT promote knowledge sharing of important cultural nuances, enabling us to compete more effectively in the global marketplace.

We currently have 67 percent of international General Managers who are local nationals and about 39 percent of our Global General Managers are women.

Encouraging wider diversity is vitally important to our success and presents us with unique challenges, including embedding a global definition of inclusion and diversity, and ensuring all business units develop inclusion and diversity plans that are locally resonant and relevant to their operations. We plan to build on the successes of our inclusion and diversity initiatives in North America to enable locally relevant strategies, including the launch of a pilot program to enable affiliates to create their own inclusion and diversity plans.

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

In 2013, we joined over 100 major companies in signing an amicus brief urging the U.S. Supreme Court to oppose Proposition 8 in California, which sought to ban same-sex marriage.

STRENGTHENING OUR INCLUSIVE CULTURE

We make sure that our employees understand the importance of inclusion and diversity to our business, and we expect everyone to respect and actively contribute to this important part of our culture.

As part of our Global Inclusion and Diversity Action Plan, in January 2013 we began implementing a number of global initiatives. Our first step was to establish four Employee Resource Groups (ERGs) in the United States, to support and enhance professional development and to help us meet our business objectives. Building on this success, we have launched two more ERGs in the United States, two in Canada and two international ERGs. Our ERGs now have a total of more than 1,700 members globally.

In FY2013, we began to roll out an employee seminar called “High-Touch Inclusion – How to Work Together and Why it Matters.” This consists of a three-hour discussion focused on enhancing self-awareness, valuing different perspectives and the importance of setting a good example. More than 2,500 United States employees participated in the seminar in the first 14 months. We have already held sessions outside of the United States including in Mexico, EMEA and South Africa and plan to continue the rollout globally through FY2015.

In January 2014, we held our first official Inclusion and Diversity week, which included activities and events in offices across North America and Australia. We circulated a checklist of activities to encourage inclusion and diversity and asked every employee globally to do one thing to promote it. Our engagement in creating an inclusive culture and leveling the playing field extends to our public policy efforts. We have signed a number of amicus briefs - filings to courts preparing to make judgments on related topics - demonstrating our support for issues of significant importance to our Company and employees. For example, in 2013, we joined over 100 major companies in signing an amicus brief urging the United States Supreme Court to oppose Proposition 8 in California, which sought to ban same-sex marriage. Please see **Governance and Ethics** for more information.



VALUING OUR EMPLOYEES

2,500

employees in nine countries took the Great Places to Work® survey in FY2014

EMPLOYEE INSIGHTS

Our employees live our mission of “Bringing the best to everyone we touch,” which enables them to provide exemplary service to our prestige beauty consumers.

We identify opportunities that encourage employee engagement and bring business results. In 2014, we surveyed 2,500 employees in nine countries using the Great Places to Work® survey to measure employee feedback and trust. Results identified high scores in pride to work for ELC, pride in our corporate responsibility and philanthropic efforts, workplace safety, management competence and fair treatment across race, gender and sexual orientation. The results also indicated that we can improve our dialogue with employees and our efforts to enhance their professional development. We have been working to address this – see more on **Professional Development**.

COMMUNICATING WITH OUR EMPLOYEES

We use a number of channels to communicate with our employees, including town hall meetings, global roundtables, our global Intranet site, newsletters, memos, emails and video. Key priorities and business performance are communicated to employees by both our Executive Leadership Team and our Strategic Deployment Group, which include business leaders from across our brands, regions and functions, globally.

EMPLOYEE BENEFITS

Taking care of our employees is an important part of the ELC culture. We offer full-time employees a competitive benefits package which includes health, survivor and wellness benefits, Flexible Spending Accounts, 401(k) and pension plans.

In July 2013, we released a new Parental Leave Policy for United States-based, full-time, benefits-eligible employees. This policy offers mothers at least 12 weeks of paid time off following pregnancy, with a four-week transition back to the workplace. It provides extended time-off for adoptive parents, same sex partners and secondary caregivers. As part of our continued effort to increase our focus on work-life harmonization and further support our working parents, we also enhanced our Back-Up Childcare Advantage Program to open access to a nationwide network of child care centers.

STRENGTHENING OUR SYSTEMS

As we expand our global presence, we are improving our systems to enhance our workplace. For example, we are assessing our workplace flexibility policies to create consistency across our offices. We are also standardizing and strengthening our internal processes. We have also made progress in developing a corporate-wide performance management process which will create a uniform approach to talent management. Employee performance will be measured using the same guidelines across ELC and assessed annually.

Employees expressed the need for greater transparency about salaries. We are looking for opportunities to inform them about salary levels and requirements linked to levels of responsibility. We are also focusing on developing clearer career paths for all our employees in the coming year through our Career Pathways program. See **Learning and Development** for more information.



GENNEXT LEADERSHIP TEAM

CASE STUDY: OUR CHANGING WORKFORCE: SPOTLIGHT ON MILLENNIALS

We are working hard to identify how best to attract and retain millennials, the generation born in 1980-2000, who are defining the modern workplace and hold the key to understanding the market.

Our Employee Resource Group, GenNEXT, is a community of approximately 450 millennial employees leveraging generational insights to contribute to business objectives and enhance the millennial workplace experience. Focusing efforts on philanthropy, engagement and development, and innovation, the members of GenNEXT collaborate at events ranging from volunteer activities to lectures, as well as focus groups on new products.

One standout series of GenNEXT events reverses traditional mentoring relationships and allows millennials to mentor our senior executives. Millennials coach executives on a variety of topics, from their primary motivations at work to using social media.

LEARNING AND DEVELOPMENT

Each year,

9,000+

employees participate in an ELC learning opportunity

Our course portfolio now offers

18

instructor-led courses as well as

60

free online courses available in eight languages

Our CEO has taught

20+

programs, inspiring

2,700+

of our employees globally

ELC employees are important teachers with expertise and lessons to share with others. To foster an environment where innovation and creativity thrive, we are committed to providing meaningful learning and development opportunities to our employees worldwide.

AT EVERY LEVEL

Learning and development opportunities are available to all ELC employees - regardless of career level. Our High-Touch Leadership Competencies clearly present the leadership behaviors we expect of our employees - a third of global employees have attended education sessions on this topic. Learning agility, or the ability to adapt and change, is an important competency we want to enhance.

We offer employees 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, as well as more than 60 free online courses available in eight languages. For topics that require more in-depth focus, we provide longer-term, targeted trainings. We encourage creativity and open innovation through programs such as DreamSpace – an online hub where employees can come together to solve strategic business challenges and create change. To date, 7,000 employees have contributed to DreamSpace, together tackling 10 DreamSpace challenges.

STRENGTHENING OUR LEADERS

ELC's culture is founded on inspirational leadership. We understand it takes an investment and a commitment to cultivate leadership, which is why we prioritize learning opportunities for every level of leadership at ELC.

Our CEO Fabrizio Freda continues to promote "Leadership from Every Chair" through the program *Leadership with Fabrizio Freda: The Estée Lauder Companies' High-Touch Leadership Competencies*. Since the program's launch in May 2011, our CEO has hosted more than 20 programs, inspiring more than 2,700 of our employees representing each of our seven regions.

We continue to deliver our global coaching program, *You, The Coach*, which we began rolling out in select locations in May 2012. This is a two-day program designed to teach effective management skills, including how to coach employees. To date, 2,000 managers have completed this program. *You, The Coach* is a critical component of our enhanced **Professional Development** program.



CASE STUDY:

EXECUTIVE CHAIRMAN WILLIAM P. LAUDER TEACHES THE NEXT GENERATION OF BUSINESS LEADERS

Great leaders are great teachers and great learners. William P. Lauder, an alumnus of The Wharton School at the University of Pennsylvania and a University trustee, was honored with the University's 2014 Teaching Commitment and Curricular Innovation Award. For a second year, William has designed and led a course, "Decision Making in the Leadership Chair" for second-year MBA students at The Wharton School, inviting leading executives to explore how the best leaders make difficult choices while managing the diverse interests among stakeholders. The course is popular with students for its unique pedagogical approach that integrates real-world content into the classroom.

As a learning organization, The Estée Lauder Companies is dedicated to delivering continuous educational opportunities at all levels of leadership. In keeping this commitment, an internal toolkit of leadership lessons and case studies has been developed and is currently available to all ELC employees.

The Estée Lauder Companies at Bryn Mawr has been offered for more than

27
years

FY2014 marked the 100th session of this program, hosting more than

140
executives

84%
global PDP
completion rate
in FY2014

EXECUTIVE EDUCATION

The Estée Lauder Companies at Bryn Mawr, held annually, is one of our signature programs and is attended by our global executives. Developed by Chairman Emeritus Leonard A. Lauder, this program has been offered every summer for more than 27 years. 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 taught by highly-esteemed professors and professionals from Harvard Business School, The Wharton School of the University of Pennsylvania and The Human Performance Institute. Since its creation, the program has been described as "Semper Novus," which means "Always New," encouraging participants to examine their talents, elevate their skills, push past boundaries and fully engage themselves in every aspect of a successful career and personal life. FY2014 marked the 100th session of this program, hosting more than 140 executives.

In April 2014, nearly 150 ELC senior executives representing all ELC brands from each of our seven regions participated in the third annual "Global Marketing Symposium" held at The Wharton School of the University of Pennsylvania. The symposium, sponsored by William P. Lauder and Fabrizio Freda, is an example of ELC's ongoing commitment to developing new capabilities as an organization and fostering continuous learning for our employees. Sessions led by ELC executives, Wharton faculty and external speakers focus on topics such as consumer insights, brand DNA and value creation. Executives are encouraged to share learnings from the symposium with their teams.

PROFESSIONAL DEVELOPMENT

We invest in, and care about, our employees' professional development to help them build long-lasting careers at ELC. Our Talent Management Framework guides our efforts, including:

- Talent Acquisition
- Performance Management
- Talent Planning
- Learning and Development
- Total Rewards
- Inclusion and Diversity

PERFORMANCE DEVELOPMENT

High performance is part of ELC's culture. We have a strong performance development approach in place to allow us to develop, nurture and reward our talented people. We now offer one corporate-wide Performance Development Plan (PDP) - compared with 17 previously used globally - covering all office-based employees across all brands, regions and functions.

The PDP is focused on improving performance and incorporates global best performance practices, providing a single structure for employees and their managers to set goals, have ongoing coaching conversations and review performance at the end of each year. The process is aligned with our strategic goals and is also our main development tool. Employees are encouraged to identify on-the-job learning opportunities as part of their PDP, with 20 percent of an individual's performance rating determined by their professional development.

In FY2014, every full-time ELC employee completed mandatory training to understand the new process, and completion rate for PDP was 84 percent globally. Our PDP site on our Intranet had more than 96,000 page views since its launch in FY2014.

6,000

employees participated in Talent Planning in FY2014

TALENT PLANNING

We prioritize development of talent, offering our employees challenging and rewarding roles and leveraging their strengths through our global Talent Planning process.

We implemented the Talent Planning initiative in 2012 for employees at manager-level and above, beginning with a series of talent reviews, succession planning and the identification of targeted development opportunities. The initiative helps employees to progress and fills our long-term talent and leadership pipeline. In FY2014, 6,000 employees actively participated in Talent Planning, a 23 percent increase from the previous year.

Talent Planning applies at the highest level. In the FY2014 ELT Talent Planning process, William P. Lauder and/or Fabrizio Freda met with 26 ELT members individually to discuss each leader's Talent Strategy, examining capability gaps and planning for our future talent needs.

CAREER PATHWAYS AND COMPETENCIES

Through our new Career Pathways process, we focus on developing and retaining our existing talent at every level of our Company. Career Pathways is a roadmap that lays out the possible positions, roles and opportunities available to employees across brands, regions and functions, based on their strengths, skills, experiences and aspirations.

Once employees have identified possible roles, they can work in partnership with their managers to identify development opportunities and build the necessary capabilities. Career Pathways will also serve as a bridge between various other human resources processes, including PDP, Talent Planning, and Learning and Development.

In FY2014, we formed a new Career Pathways and Competencies Core Team to oversee the development and delivery of a global framework. Career Pathways will be rolled out to all global functions on a cascading basis starting in FY2015.



HEALTH AND SAFETY

OUR APPROACH

We are committed to providing a safe and healthy workplace for our employees and strive toward our ultimate goal of zero incidents. Our Environmental and Safety Policy establishes the standard we require of workplaces across ELC and demonstrates our commitment to uphold such standards. Our Global Environmental Affairs and Safety (EAS) management team monitors and enforces implementation of this policy throughout our global supply chain factories and distribution centers. Our environmental, health and safety program, including our audit program, is managed by the Vice President of Global EAS, along with facility-level EAS management.

Our Behavior Based Safety (BBS) program, a cornerstone of our commitment to safety since its launch in FY2010, improves ELC's safety culture through employee-led communications around safety behavior best practices. Each year, we hold a BBS workshop to engage and inspire ELC employees around safety excellence. Now in its third year, the 2014 BBS Workshop showcased completed safety projects in an open forum, giving participants the opportunity to learn from one another and develop similar projects for their sites.

We keep our employees apprised of health and safety information throughout the year, with a big push in June during our Safety Month. During this time, we ask employees to renew their commitment to "Actively Caring" about the safety of their coworkers, families and friends, and encourage employees to submit quality comments through the BBS program.

OUR PROGRESS

In FY2014, we implemented a number of initiatives related to safety including:

- Rolled out a telephone triage service to provide employees with immediate response by a medical professional in the event of an incident
- Deployed capital funds for ergonomic solutions in our factories and distribution centers
- Introduced pre-shift stretching routines to additional facility staff to increase dexterity
- Completed 476 site-specific projects in response to risks raised by employees through our BBS program
- Expanded our Safety Month Resource Center, which provides employees safety and wellness tips, covering topics such as ergonomics and distracted driving

At the end of FY2014, our Total Incident Rate was

.54

which was a

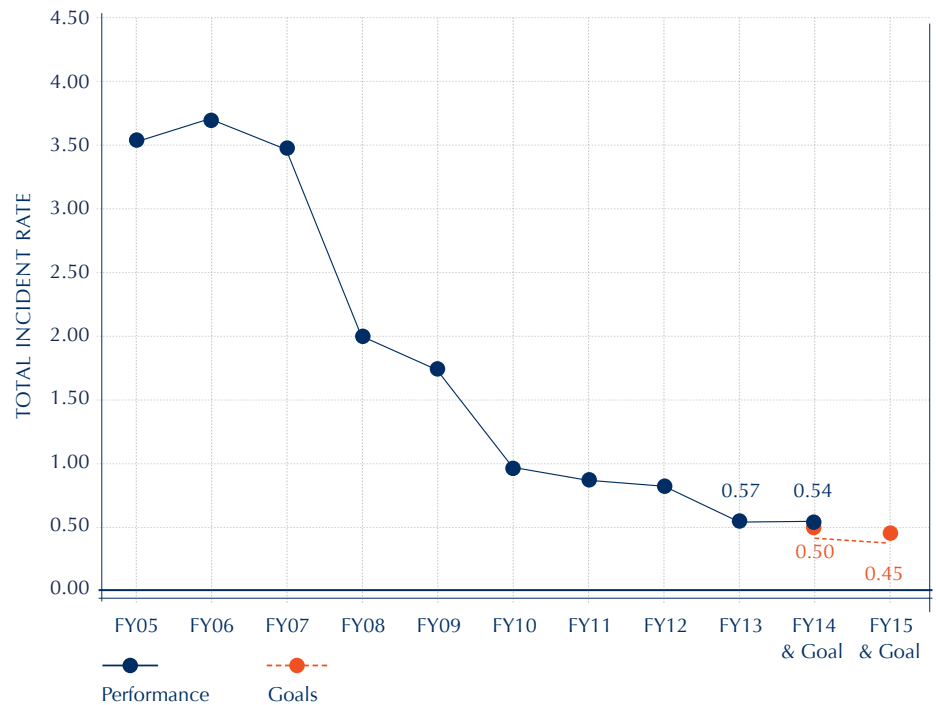
33%

improvement from FY2012

These efforts contributed to an improved safety record in FY2014 and demonstrated continued commitment to our ultimate goal of zero incidents. At the end of FY2014, our Total Incident Rate (TIR)* was 0.54, a 33 percent improvement from FY2012 that just missed our FY2014 goal of 0.50. We continue to push ourselves to reduce this rate and have set a TIR goal for FY2015 of 0.45.

Our Lost Time Frequency Rate (LTFR)** in FY2014 was 0.30, representing a 94 percent decrease since FY1995 and a 32 percent decrease since FY2012. ELC has never had a work-related fatality.

TOTAL INCIDENT RATE



EMPLOYEE WELLNESS

We prioritize the health and well-being of our employees. We established our wellness program in 1999 to provide information on healthy living and yearly health screening services for employees in certain locations. This program has expanded to now include information on health check-ups, smoking-cessation programs, influenza vaccinations, mammograms, fitness and weight loss programs.

To date, we have conducted:

- More than 21,000 blood screenings
- More than 10,000 skin cancer screenings
- More than 1,000 prostate cancer screenings

We succeed because of our people. Their diversity, their creativity, and their passion drives innovation and delivers quality to our customers. We prioritize their safety and well-being so that we can continue to learn from and inspire one another.

*The Total Incident Rate is used to compare a company's safety performance. This metric represents the number of cases per 100 full-time employees per fiscal year. The rate is calculated by multiplying the number of total incidents by 200,000 and dividing by the total number of hours worked.

**The lost time frequency rate is a function of the number of accidents resulting in lost time. The rate is calculated by multiplying the number of lost time cases by 200,000 and dividing by the total number of hours worked.



SOCIETY

PHILANTHROPY



Since 1994, the
BCA Campaign has
raised more than

\$53M+

to support global research,
education and medical
services with more than

\$42M

funding 169 BCRF research
projects worldwide

Mrs. Estée Lauder founded the Company on the belief that ELC is only as strong, healthy, educated and diverse as the communities in which it operates. We encourage and enable our employees, brands and consumers to actively engage in the communities where we live, work or have a presence – protecting the environment and supporting inclusion and diversity, the arts, women’s health, women’s empowerment, education, environment, health and human services and emergency disaster relief.

BREAST CANCER AWARENESS CAMPAIGN

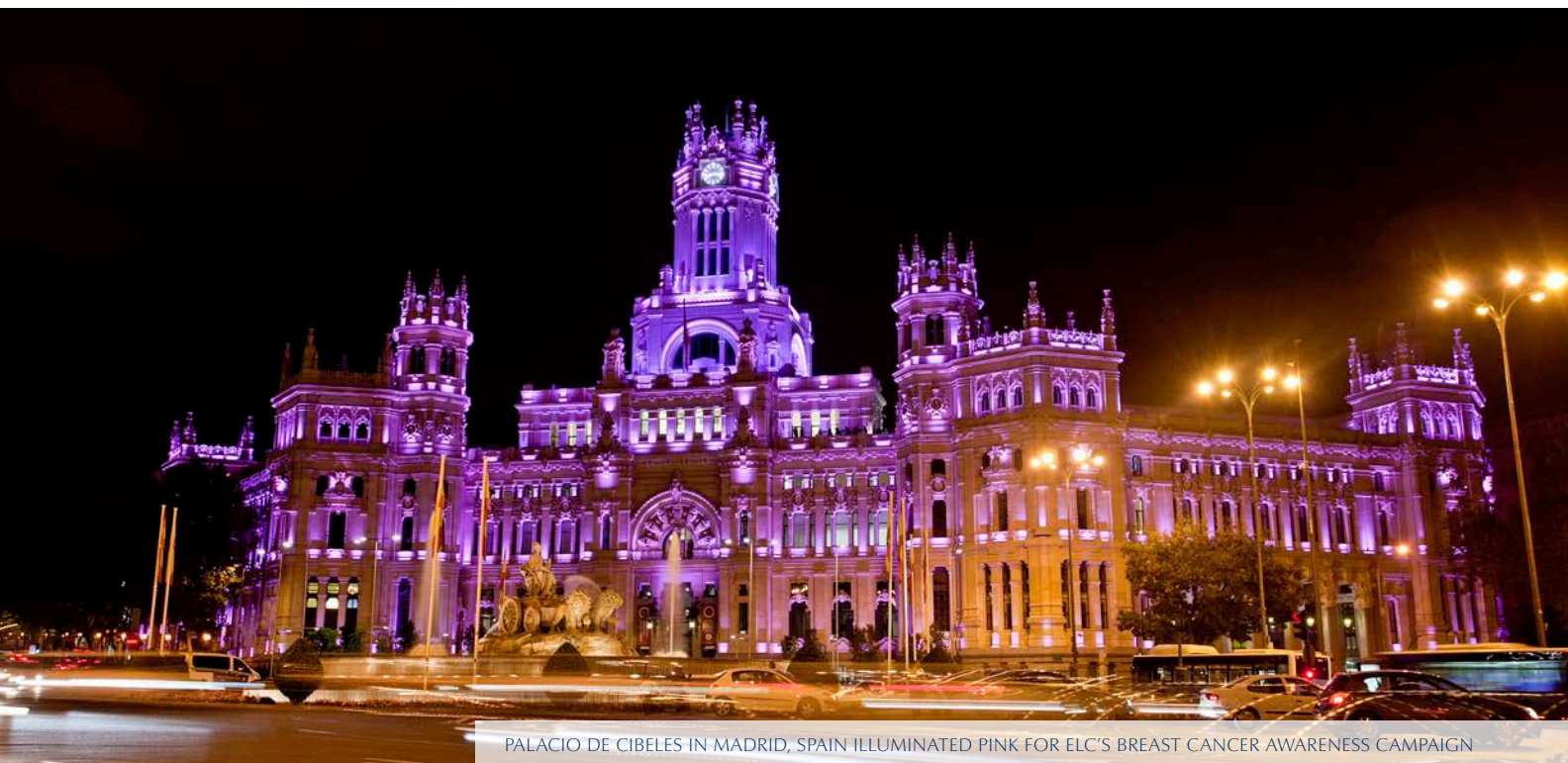
Launched in 1992 by the late Mrs. Evelyn H. Lauder, the mission of ELC’s Breast Cancer Awareness (BCA) Campaign is to defeat breast cancer through education and medical research. The BCA Campaign, now present in more than 70 countries worldwide, continues to be highly influential, taking action in raising funds and awareness for the importance of breast health and early detection.

Funds raised in the United States, Canada, the United Kingdom, and other select markets around the world support The Breast Cancer Research Foundation® (BCRF), also established by Mrs. Evelyn H. Lauder. BCRF is an independent nonprofit organization investing in breast cancer research worldwide. Since 1994, The BCA Campaign has raised more than \$53 million to support global research, education and medical services, with \$42 million funding 169 BCRF research projects worldwide.

The BCA Campaign funds raised in FY2014 are supporting 17 BCRF researchers. Their areas of study include breast cancer heredity and ethnicity, tumor biology, lifestyle and prevention, treatment, survivorship and metastasis.

LET’S DEFEAT BREAST CANCER. WE’RE STRONGER TOGETHER.

Support for The BCA Campaign runs deep across our brands, regions and functions. To read more about how our employees and brands support the Campaign’s mission, visit our [website](#).



PALACIO DE CIBELES IN MADRID, SPAIN ILLUMINATED PINK FOR ELC’S BREAST CANCER AWARENESS CAMPAIGN

M·A·C AIDS FUND

M·A·C Cosmetics is committed to the prevention and treatment of HIV/AIDS. Since the founding of M·A·C AIDS Fund (MAF) in 1994, M·A·C Cosmetics has raised more than \$340 million, including \$41.9 million in FY2014. In the United States, Canada and the United Kingdom, MAF operates as an independent nonprofit organization.

The Fund is focused on three action areas:

1. Providing life-saving treatment and care

- Connect people to life-saving care and ensure they continue to receive the needed treatment.

2. Helping people live longer, healthier lives

- Provide daily support and essential poverty-based direct services, helping people living with HIV/AIDS to prioritize their health.

3. Stopping new infections

- Help the most vulnerable people at a much higher risk of HIV infection due to societal factors and high-risk behaviors.

For more information, visit [M·A·C AIDS Fund](#).

M·A·C VIVA GLAM

Every cent of the sales price of VIVA GLAM Lipstick and Lipglass is donated to MAF and other programs.

M·A·C AIDS Fund is the largest corporate foundation and second largest private donor in the United States for HIV/AIDS causes. Through a unique 100% giving model, every cent of the sales price of VIVA GLAM Lipstick and Lipglass is donated to MAF and other programs that help women, men and children affected by HIV/AIDS.

The sale of one M·A·C VIVA GLAM Lipstick or Lipglass supports, for example:

- 1 month of public transport for a woman to travel to and from doctors' visits, or
- 1 counseling session for an HIV+ woman, or
- 23 female condoms/233 male condoms

One of MAF's signature programs, the World AIDS Day Global Volunteer Initiative, has become a core commitment of M·A·C employees each year. In December 2013, more than 3,000 M·A·C employees volunteered at HIV/AIDS organizations in 36 countries. To further engage M·A·C staff, MAF launched the M·A·C Team Grants Program in FY2014. When three or more M·A·C employees volunteer together with an eligible HIV/AIDS organization, they earn \$1,000 for every 15 cumulative volunteer hours – up to \$5,000 per team or \$25,000 per organization each year.



M·A·C AIDS FUND HAS SUPPORTED J-FLAG SINCE 2009



CASE STUDY:
M·A·C AIDS FUND SUPPORTS J-FLAG

The Caribbean has the highest prevalence of HIV outside of Sub-Saharan Africa. Although this region has seen improvements in treatment coverage, retention in treatment is low and stigma remains a critical issue.

Jamaican organization, **J-FLAG**, was the first organization to serve the needs of the country's lesbian, gay, bisexual and transgender (LGBT) community. The M·A·C AIDS Fund (MAF) has been proud to support J-FLAG since 2009. In 2013, with support from MAF, J-FLAG was able to respond to reports of violence against LGBT people in Jamaica, train health care professionals and police on LGBT rights and join a lawsuit to repeal Jamaica's anti-sodomy law. MAF also supports J-FLAG's ongoing **"We are Jamaicans"** social media campaign to promote social inclusion and to decrease stigma against the HIV/AIDS.

CONSERVING OUR OCEANS

Many key ingredients used in La Mer products are sourced from the ocean, such as sea kelp used in La Mer's Miracle Broth™. Since 2008, La Mer has contributed more than \$2 million to help protect ocean habitats around the world. Through a global partnership with the National Geographic Society, La Mer is working with experts to raise awareness of the importance of ocean conservation and to support the next generation of ocean explorers.

In 2013, La Mer began partnering with the National Geographic Society to support their **Explorer-in-Residence**, Dr. Sylvia Earle. Dr. Earle played a central role in La Mer's World Oceans Day events in 2013 and 2014, which focused on the sea as a vital ecosystem and drew attention to the need for action to preserve its delicate habitats and wildlife. La Mer is supporting Dr. Earle's 2014 book *Blue Hope*, which pays tribute to the ocean and its abundance and highlights the importance of its conservation. In 2014, La Mer partnered again with the National Geographic Society in support of "**Emerging Explorer**" Dr. Andrea Marshall, helping to fund her research and conservation activities. Dr. Marshall was the first person in the world to complete a PhD on manta rays and is currently based in Eastern Africa, where she leads conservation efforts for this vulnerable species.

PRETTY POWERFUL SUPPORTS GIRL RISING

Sixty-five million girls around the world do not attend school.

Bobbi Brown Cosmetics is committed to empowering women of all ages and advocates through the Bobbi Brown Pretty Powerful Campaign for Women and Girls. Among its activities, the Campaign supports Girl Rising, a global social action campaign to educate young girls and help break the cycle of poverty. In 2014, the Campaign donated \$200,000 to support Girl Rising.

In North America, Bobbi Brown Cosmetics will donate 100 percent of the suggested retail price of The Pretty Powerful Campaign products in FY2014 and FY2015 to The Girl Rising Fund. The campaign supports Bobbi Brown's commitment to celebrate the beauty of real women from a variety of backgrounds through the **Bobbi Brown Pretty Powerful Campaign for Women and Girls**.

ADVANCING WOMEN AND GIRLS' EDUCATION IN ASIA

Although education in Vietnam is officially free, families have to pay for books, learning materials, uniforms, transportation and school building maintenance costs. Education for girls is often seen as a less valuable investment than schooling for boys. In the Mekong Delta region, more than 70 percent of school dropouts are girls, many of whom regress to illiteracy.

The Estée Lauder Companies has developed a partnership with The Asia Foundation based on our shared values of education and women's advancement. Together, in 2010, we created The Estée Lauder Scholars Program to provide low-income girls from Vietnam's An Giang province with three-year scholarships to complete secondary education.

Since its inception, The Estée Lauder Scholars Program has helped 204 Scholars complete secondary school. In 2014, we expanded the program to begin funding 134 additional Scholars and were honored with The Asia Foundation's Lotus Leadership Award for our continued commitment to advancing women's education.

EARTH MONTH

Since 2007, AVEDA
has supported

1,125
clean water projects

Origins has helped plant

520K
trees to celebrate
Earth Month

Since 1999, AVEDA has raised more than \$38 million to help support organizations that directly affect environmental change. More than \$32 million has supported clean water projects at home and around the world.

AVEDA donates 100 percent of the suggested retail price of its Light the Way™ candle to its Earth Month partner, Global Greengrants Fund, a nonprofit organization that protects water resources worldwide and provides access to clean water to communities around the world. Since 2007, these contributions have supported 1,125 **clean water projects** in 67 countries, with impacts including:

- 22,725 women engaged in working towards cleaner water for their communities
- 57,850 people benefitting from wells and water infrastructure
- 75,250 acres devoted to sustainable agriculture
- 660,000 lives impacted by water-related projects

On Earth Day 2013, AVEDA stylists around the world took part in a Global Cut-A-Thon. Their efforts raised \$220,000 for clean water causes, setting a Guinness World Record for the most money raised for charity through haircuts in a 24-hour period. In FY2014, AVEDA's global network and guests in more than 30 countries generated a total of \$6 million through their Earth Month 2014 fundraising efforts.

Origins celebrates Earth Month each year through its global Plant-A-Tree initiative with American Forests Global ReLeaf. In FY2013 and FY2014, more than 83,000 trees were planted, bringing the total to more than 520,000 trees planted through this initiative, far exceeding the goal of 300,000 trees by 2015.



EMPLOYEE VOLUNTEERING

In FY2013, employees in the United States contributed

16,946

volunteer hours in nearly

435

activities in partnership with

149

nonprofit organizations

Guided by the belief that one person can make a difference, our employee volunteer programs offer a variety of opportunities to our employees worldwide—from volunteering with **M·A·C AIDS Fund**, **The BCA Campaign** and **AVEDA Earth Month**, to participating in locally relevant programs.

In the United States alone in FY2013, employees contributed 16,946 volunteer hours through nearly 435 activities in partnership with 149 nonprofit organizations. For example, 160 employees participated in a beach cleanup at Jamaica Bay Wildlife Refuge in New York in observance of World Oceans Day 2014. Volunteers collected nearly 16,000 pounds of debris, with a combined effort of 640 volunteer hours, contributing more than \$18,000 worth of labor to the National Park Service.

MAXIMIZING IMPACT

One of our 2015 goals is to share best practices in volunteerism globally in order to provide models for consistent, impactful volunteer programs adaptable for local relevance. In the United States, we are collaborating with our non-profit partners on how best to achieve common goals for our projects.

RECOGNIZING OUR VOLUNTEER LEADERS

Every year, we honor a number of exemplary ELC employees for their volunteer service and leadership in their local communities with the Leonard A. Lauder Volunteer of the Year Awards. In 2013, we expanded the Awards globally, recognizing 14 employees in seven countries and six regions for significant personal commitments to their communities through volunteerism. This has led to increased dialogue about volunteerism and philanthropy, building awareness of the business case and catalyzing new programs in our global markets, including plans for a United Kingdom Volunteerism award.



The background of the image consists of numerous overlapping, semi-transparent yellow flower petals, likely from a lily or similar species. The petals are arranged in a dense, layered pattern, creating a soft, textured appearance. The lighting is bright and even, highlighting the delicate veins and edges of the petals. A central white rectangular box with a thin black border is superimposed over the petals, containing the text "GRI INDEX".

GRI INDEX

GRI G4 INDEX

ELC Corporate Responsibility Report 2014: Index of conformance with the GRI G4.I Guidelines

GENERAL STANDARD DISCLOSURES

STANDARD DISCLOSURE	STANDARD DISCLOSURE TITLE	LEVEL OF DISCLOSURE	LOCATION
Strategy and Analysis			
G4-1	Statement from most senior decision maker.	Full	Page 4, Letter from William P. Lauder
Organizational Profile			
G4-3	Name of the organization.	Full	The Estée Lauder Companies
G4-4	Primary brands, products and services.	Full	2014 Annual Report
G4-5	Location of the organization's headquarters.	Full	New York, New York
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Full	Page 6, Our Company At-A-Glance
G4-7	Nature of ownership and legal form.	Full	Publicly Traded Corporation
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Full	2014 Annual Report
G4-9	Scale of organization.	Full	2014 Annual Report
G4-10	Total workforce by employment contract and gender.	Partial	Page 6, Our Company At-A-Glance
G4-11	Percentage of total employees covered by collective bargaining agreements	Full	2014 Form 10-K
G4-12	Describe the organization's supply chain.	Full	Page 15, Sourcing
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Full	None
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Full	Page 2, About This Report Page 19, Sourcing Page 22, Operations Page 30, Research and Development
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 	Partial	Addressed throughout.

GENERAL STANDARD DISCLOSURES (CONT'D)

Identified Material Aspects and Boundaries			
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents and whether any of these entities is not covered by the report.	Full	All entities covered in the 2014 Form 10-K are covered in this Report.
G4-18	Explain the process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content.	Partial	Pages 12, Stakeholder Engagement
G4-19	All the material Aspects identified in the process for defining report content.	Full	Pages 11-12, Stakeholder Engagement
G4-20	The Aspect Boundary within the organization for each material Aspect.	Partial	Addressed throughout.
G4-21	The Aspect Boundary outside the organization for each material Aspect.	Partial	Addressed throughout.
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Full	None
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Full	None

Stakeholder Engagement

G4-24	A list of stakeholder groups engaged by the organization.	Full	Page 11, Stakeholder Engagement
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Partial	Page 11, Stakeholder Engagement
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Partial	Pages 11-12, Stakeholder Engagement
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. The stakeholder groups that raised each of the key topics and concerns.	Partial	Pages 11-12, Stakeholder Engagement

Report Profile

G4-28	Reporting period for information provided.	Full	Page 2, About this Report
G4-29	Date of most recent previous report (if any).	Full	2012 Corporate Responsibility Report
G4-30	Reporting cycle.	Full	We publish a Corporate Responsibility Report on a biennial basis.
G4-32	Report the 'in accordance' option the organization has chosen; the GRI Content Index for the chosen option and the reference to the External Assurance Report, if the report has been externally assured.	Full	Page 2, About this Report

GENERAL STANDARD DISCLOSURES (CONT'D)

Governance

G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Full	Pages 8-9, Governance and Ethics
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Ethics and Integrity

G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Full	Pages 8-9, Governance and Ethics
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SPECIFIC STANDARD DISCLOSURES

CATEGORY: ECONOMIC

G4-DMA	Disclosure on Management Approach	Full	2014 Form 10-K Pages 15-20, Sourcing
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Aspect: Economic Performance

G4-EC1	Direct economic value generated and distributed	Full	2014 Annual Report
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Partial	2014 Form 10-K 2014 CDP Response
G4-EC3	Coverage of the organization's defined benefit plan obligations	Partial	Page 42, Our People

Aspect: Indirect Economic Impacts

G4-EC8	Significant indirect economic impacts, including the extent of impacts	Partial	2014 Form 10-K
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CATEGORY: ENVIRONMENTAL

G4-DMA	Generic Disclosures on Management Approach	Full	Pages 22-29, Operations
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Aspect: Water

G4-EN8	Total water withdrawal by source	Partial	Page 29, Operations
G4-EN9	Water sources significantly affected by withdrawal of water	Partial	Page 29, Operations

Aspect: Biodiversity

G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Partial	Pages 17-20, Sourcing
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SPECIFIC STANDARD DISCLOSURES (CONT'D)

Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Full	Pages 22-23, Operations
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Full	Pages 22-23, Operations
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Full	Pages 22-23, Operations
G4-EN18	Greenhouse gas (GHG) emissions intensity	Full	Pages 23, Operations
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Full	Pages 23, Operations
G4-EN21	NO _x , SO _x , and other significant air emissions	Partial	Pages 26, Operations
Aspect: Effluents and Waste			
G4-EN23	Total weight of waste by type and disposal method	Partial	Page 27, Operations
Aspect: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Partial	Pages 24-29, Operations Pages 32-34, Research and Development
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Partial	Page 34, Research and Development
Aspect: Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Partial	Page 25, Operations
Aspect: Overall			
G4-EN31	Total environmental protection expenditures and investments by type	Full	None
Aspect: Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Partial	Page 17, Sourcing
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Partial	Page 16-20, Sourcing

SPECIFIC STANDARD DISCLOSURES (CONT'D)

CATEGORY: SOCIAL

SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK

G4-DMA	Generic Disclosures on Management Approach	Full	Pages 38-49, Our People
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Aspect: Employment

G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Partial	Page 42, Our People
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Aspect: Occupational Health and Safety

G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Partial	Pages 48-49, Our People
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Aspect: Training and Education

G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Full	Pages 44-47, Our People
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Partial	Pages 46, Our People

Aspect: Diversity and Equal Opportunity

G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Partial	Page 40, Our People
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ASPECT: Supplier Assessment for Labor Practices

G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Partial	Pages 16-17, Sourcing
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SUB-CATEGORY: HUMAN RIGHTS

Aspect: Supplier Human Rights Assessment

G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Partial	Pages 16-17, Sourcing
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SPECIFIC STANDARD DISCLOSURES (CONT'D)

SUB-CATEGORY: SOCIETY

G4-DMA	Disclosure on Management Approach	Full	Pages 8-13, Governance and Ethics
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Aspect: Anti-Corruption

G4-SO4	Communication and training on anti-corruption policies and procedures	Partial	Pages 13, Governance and Ethics
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Aspect: Public Policy

G4-SO6	Total value of political contributions by country and recipient/beneficiary	Partial	Page 10, Governance and Ethics
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ASPECT: Supplier Assessment for Impacts on Society

G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Partial	Pages 16-17, Sourcing
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SUB-CATEGORY: PRODUCT RESPONSIBILITY

G4-DMA	Disclosure on Management Approach	Full	Pages 31-34, Research and Development Pages 36-37, Consumers
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ASPECT: Customer Health and Safety

G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Full	Page 31, Research and Development
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ESTÉE
LAUDER
COMPANIES

Learn more: www.elcompanies.com