Background:
Clients come to Sephora knowing we offer the best selection of high-quality, prestige beauty products. For us, this means continuing to focus on product safety and sustainability. In July 2019, we launched our public Chemicals Policy for our full assortment.

Sephora’s Chemicals Policy Goals:
1. **High-Priority Chemicals:** reduce the number of products from all brands (including third party-brands) that contain any high-priority chemicals listed in the policy\(^1\) by 50% in three years.
2. **Safer Alternatives:** encourage the replacement of high-priority chemicals with safer alternatives and avoid regrettable substitutes.
3. **Transparency and Consumer Knowledge:** By the end of 2020, 100% of formulated products have all intentionally added ingredients\(^2\) listed on our US Sephora.com website.

Update on Policy Implementation:
Below is a summary of our actions in year 1 (July 2019 - July 2020) to reach our goals.

1. **Transparency:** we have focused on our transparency goal to ensure we can (i) understand the presence of high-priority chemicals in our assortment, and (ii) meet the growing needs of clients for more transparency. We have increased the number of products with all intentionally added ingredient information on Sephora.com from 82% to 95%.\(^3\)

2. **Safer Alternatives:**
   a. Partnering with industry leaders on innovation and green chemistry practices, such as collaborating with ChemForward to:
      i. Work together to discover safer ingredients to replace the high-priority chemicals on the public chemical policy (such as alternatives to preservatives, benzophenones, and ethanolamines).
      ii. Support the creation of comprehensive chemical hazard assessments for safer ingredients identified to avoid regrettable substitution, which illuminates potential human and environmental hazards (even if moderate) and uncovers “green” alternatives.

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\(^1\) Compared to 2019 baseline data from US assortment analysis with known ingredients.

\(^2\) Excluding the constituents of fragrance or parfum. Although some brands voluntarily disclose this, it is not currently required.

\(^3\) For all formulated products with sales from the time period July 2019 to July 2020 (and 98% for all skus minus fragrance. Fragrance skus are not currently required to list ingredient information and/or the constituents of fragrance, although some do voluntarily).
Encourage this work to be widely available on a cloud-based platform.

1. This accelerates the creation of alternatives portfolios accessible to all through a subscription model with ChemForward. See more details and the news of our partnership here.

Add the high-priority chemicals from the policy into the free MaterialWise screening tool and Pharos Project tool, allowing anyone to screen their products against the list.

b. Providing resources for our brand partners, such as:
   i. A Sephora Safer Alternatives Guide
   ii. A sustainability training module on ingredients
   iii. One-on-one calls to discuss implementing the policy (including sharing an analysis of how a brand’s products measure against the public chemicals policy high-priority chemicals)

c. Working with Novi Connect, an artificial intelligence (AI) driven platform aimed at creating more transparency in the personal care industry. Sephora has been working with Novi on a Safer Alternatives pilot with brands to get insights into ingredients they need to replace in order to meet the public chemicals policy or Clean at Sephora list. Using Novi’s technology, which ingests and analyzes chemical data from ingredient suppliers, brands get access to a vast network of safer alternative ingredients, vetted according to each brand’s standards for health, environment, and supply chain transparency - as well as efficacy and performance. See more on the partnership with Novi here.

d. Partnering with the Environmental Defense Fund (EDF) as a strategic advisor to Sephora’s public chemicals policy and partner in advancing safer chemistry.

**Metrics:**
Below are the metrics we have been tracking to demonstrate our progress to meet our goals:

1. **High-Priority Chemicals:**
   a. 14% reduction in skus with 1 or more high-priority chemical from December 2019 to July 2020
   b. 94% of skus sold on Sephora.com that have no high-priority chemicals as of July 2020

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4 The data used to report these metrics come from internal analysis done by Sephora, as well as, analysis from Novi Connect and ChemForward. The high-priority chemical numbers reported are based on public ingredient data received from our third-party brands as of December 2019 and July 2020, which may be out of date or missing information. All numbers have been normalized to account for seasonality and products with missing ingredient data have been removed from the analysis to avoid skewing the results.
c. 65% of brands sold on Sephora.com have no high-priority chemicals as of July 2020

2. Safer Alternatives:
   a. 50 brands utilizing tools to identify safer alternatives through pilot with Novi Connect by the end of 2020
   b. 4 safer alternative assessment portfolio analyses developed in partnership with ChemForward (e.g. preservatives, benzophenones, ethanolamines, cyclic silicones)
   c. 73% of total high-priority chemicals for which safer alternatives have been assessed in one of ChemForward’s alternative portfolio analysis
   d. 11 ChemForward alternative portfolio analyses exist for Beauty and Personal Care even though not all funded by Sephora (and 15 total for all industries)
   e. 271 alternatives have been assessed by credible 3rd parties that already exist (for e.g. from the Safer Chemical Ingredient List or SCIL list) and have been incorporated into ChemForward for easy access by the supply chain
   f. $200K USD Sephora has invested in identifying Safer Alternatives (via ChemForward, Novi pilot, MaterialWise screening tool, etc.)

3. Transparency and Consumer Knowledge:
   a. Skus on Sephora.com in the US that have ingredient information available as of July 2020:
      i. 98% of all skus minus fragrance
      ii. 95% of all skus
   b. 13% increase in skus5 with ingredient information on Sephora.com in the US from July 2019 to July 2020

Other Sephora progress updates:
In the past year:
   • Sephora Collection, our private label brand, continued its strict safety requirements with a Restricted Substance list (“RSL”) that goes beyond European Regulation for cosmetics
   • Sephora Collection launched Good skincare line that carries our “Clean at Sephora” seal and has an accessible price point.
   • Sephora expanded “Clean at Sephora” standards, increasing the “formulated without” list from 12 ingredients to over 50 in 2019.
   • Clean at Sephora now has 87 of brands that have achieved the “Clean at Sephora” seal in 2020 (a 22% increase from 2019)
   • Sephora has also maintained our participation with the Green Chemistry and Commerce Council (GC3) and joined their Retailer Leadership Council.

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5 Includes all skus for formulated products with sales in 2019 and 2020.
The year ahead
We will continue to aim for transparency and 100% of formulated beauty products to have their ingredients listed on Sephora.com, partner with innovators in green chemistry and safer ingredients, and work to ensure we are meeting client demand for safer products. Sustainability and the importance of client health are a key focus for us, and we are committed to maintaining this priority.