

BEAUTYCOUNTER

Toward *Better* Beauty

Corporate Social Responsibility Report



Message from Gregg



I believe that business can be a powerful tool for change. When I founded Beautycounter four years ago, we set out to use the safest ingredients while delivering exceptional product performance. Before too long, it became clear that the quest toward better beauty extends far beyond safety and performance; sustainability, giving back, transparency, and forward-thinking advocacy would also be necessary to fulfill our bold mission.

Today, the beauty industry still has very little regulation, and the supply chain is complex. Much of our product development and advocacy work

has been challenging, at times even daunting. And yet, the work that we've accomplished in our formative years is impressive, purposeful, and scalable.

I hope that you find our first corporate social responsibility report, *Toward Better Beauty*, to be a meaningful digest of our commitment to health, environment, transparency, and continued progress.

gregg

Table of Contents

<i>Introduction</i>	
Company Profile	4
B Corp	4
What Does <i>Transparency</i> Mean to Beautycounter?	5
<i>Toward Safer Beauty</i>	
What does <i>Safer</i> Mean to Beautycounter?	7
Ingredient Selection Process	8
Health and Safety Achievements	9
<i>Toward Sustainable Beauty</i>	
What is Sustainability?	14
Ingredient Sourcing	16
Packaging Selection	18
Environmental Footprint	20
<i>Advocacy Achievements</i>	22

Introduction





Company Profile

We create safer, cleaner cosmetics and skin care products. We are a direct-retail brand, offering our products across the wide range of sales channels: independent Consultants, e-commerce, and limited-time brand partnerships. Through content and Consultant training, we educate people about environmental health issues, advocate for health-protective laws, and build a movement for change.



B Corp

Beautycounter is proud to be a Certified B Corporation. The B stands for Benefit, and it means that, unlike the traditional corporate structure, we consider people, the planet, and profits. We use the power of business to help solve social and environmental problems by voluntarily meeting standards of transparency, accountability, and performance. Becoming a Certified B Corporation is a difficult accomplishment, and we did it right from the very beginning.

Beautycounter certified as soon as it was possible, and we're pleased to participate in this growing community of more than 1,700 Certified B Corps from 50 countries and over 130 industries working together toward 1 unifying goal: to redefine success in business. Learn more about B Corps at <https://www.bcorporation.net/>.

What does *Transparency* Mean to Beautycounter?



Safer Products

We are proud to go beyond the current industry standards of transparency. For example, we share the ingredients we use to formulate our products, including all known components of fragrances that traditionally fall under the words “fragrance” or “parfum”. In our Ingredients Glossary, we list the sources of our ingredients and share whether they are naturally derived or synthetic. We also share the differences between our testing and ingredient screening processes.

Advocacy

Since day one, we have decided to be forthright and outspoken in our advocacy efforts. This approach not only applies to the ways we

engage politicians and lawmakers, but also to our broader community of Clients and Consultants with whom we openly share our policy positions, legislative priorities, and upcoming actions. We believe that to be successful, a company’s clients and consumers must be given the opportunity to actively participate in the social change the company is working toward

Education

Transparency through education is difficult in today’s world, with an ever-growing focus on bite-sized pieces of marketing content aimed at consumers’ shorter attention spans. As a brand focused on safer products and education, we work to explain the reasons behind

Beautycounter’s positions and decisions. We share all of this information with our customers so that they may, in turn, make educated purchasing decisions.

Beautycounter will always aim to educate through the sharing of information. With the amount of existing confusion in the marketplace today about already complicated topics, it is important for us to communicate as effectively, and with as much context as possible. Transparency has been a guiding principle of our company since we started, and we will remain dedicated to it as we grow and continue to develop safer products for the whole family.



Toward *Safer* Beauty

What Does *Safer* Mean to Beautycounter?

The *Never List*™

WHEN FORMULATING OUR PRODUCTS, WE PROHIBIT THE USE OF OVER 1,500 HARMFUL OR QUESTIONABLE INGREDIENTS.

THIS IS A LIST OF THE TOP OFFENDERS:

Benzalkonium chloride • BHA and BHT • Coal tar • Ethylenediaminetetraacetic acid (EDTA) • Ethanolamines (MEA/DEA/TEA) • Formaldehyde • Hydroquinone • Methylisothiazolinone and methylchloroisothiazolinone • Oxybenzone • Parabens (methyl-, isobutyl-, propyl- and others) • Phthalates • Polyethylene glycol (PEG compounds) • Retinyl palmitate and Retinol (Vitamin A) • Sodium lauryl sulfate and Sodium laureth sulfate (SLS and SLES) • Synthetic flavor or fragrance • Toluene • Triclosan and Triclocarban

What does “safer” mean to a purpose-driven skin care company?

When we started Beautycounter, we knew we had to avoid using harmful ingredients found in many common beauty products on the market. That is why we created our 5-Step Ingredient Selection Process, in which we prohibit over 1,500 ingredients from product formulations, screen ingredients for safety, and guide ingredient sourcing.

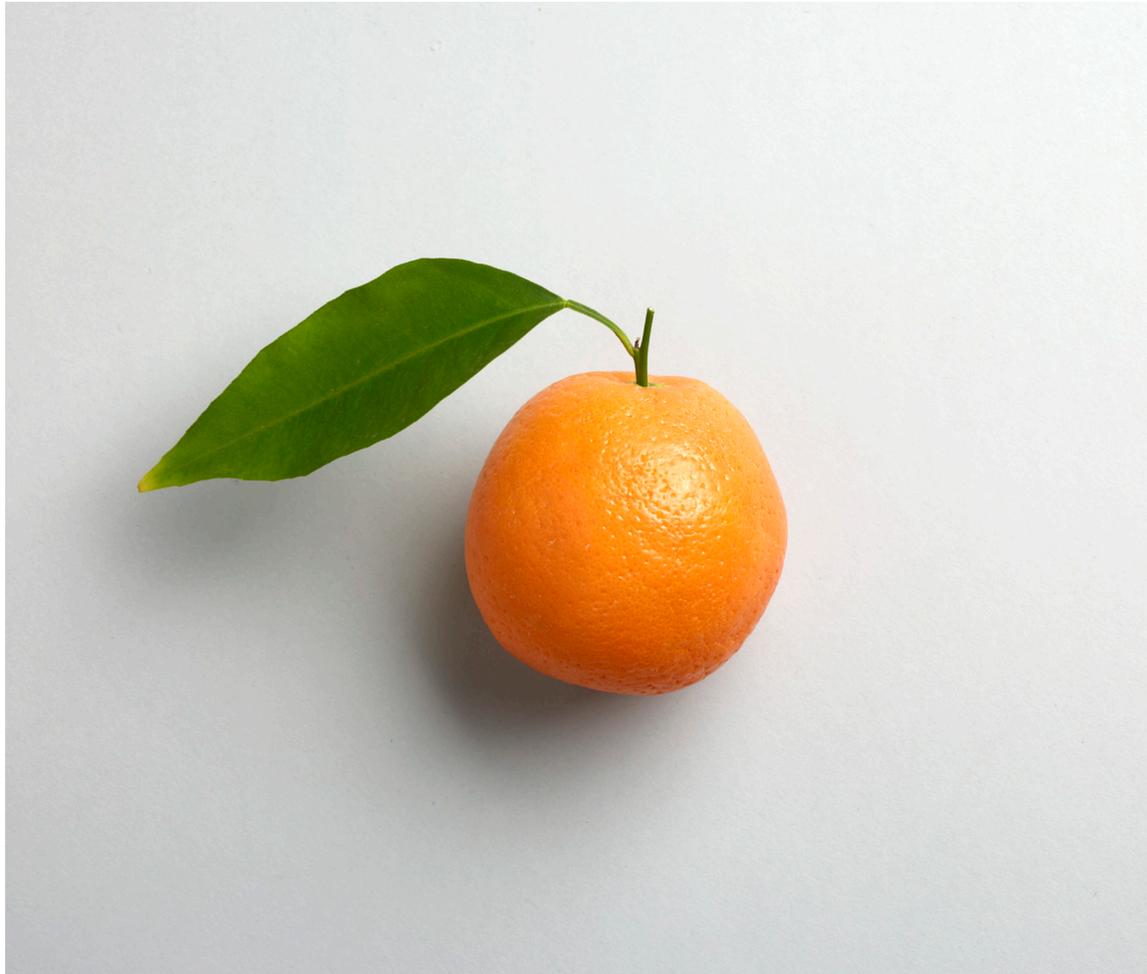
What does “safer” mean in a virtually unregulated industry?

Since “safer” has no official definition in the cosmetics and skin care industry, we had to define it for ourselves. To Beautycounter, “safer” means that we do our best to choose ingredients with no risk to health. However, there are still major data gaps regarding many cosmetic ingredients. We do not assume that the absence of data means a chemical is safe - it simply means we don't know about the potential health impacts. So, as part of our Ingredient Selection Process, we review emerging data regularly and even occasionally commission our own studies when we are not able to gather enough information on a particular chemical.

In addition, the nexus between safer and natural ingredients is something we explore and discuss with suppliers and clients, and we encourage other brands to do the same. In short, natural ingredients are not always safe, and synthetic ingredients are not necessarily harmful. Our goal is to create products using natural and synthetic ingredients that do not compromise health or safety.

Ingredient Selection Process

Beautycounter created an Ingredient Selection Process to ensure that our customers feel confident in the safety of our products. Developing it was not simple, but understanding it is.



STEP 1. BAN INTENTIONALLY

The Never List™ is made up of approximately 1,500 harmful or questionable ingredients we prohibit from our product formulations, including the nearly 1,400 ingredients banned in the European Union.

STEP 2. SCREEN RIGOROUSLY

Using the best available sources, we screen every potential ingredient for information on specific hazards like cancer, developmental toxicity, hormone disruption, and infertility.

STEP 3. LEARN CONSTANTLY

There are major data gaps on most cosmetics ingredients, so we review emerging data regularly and even occasionally commission our own studies.

STEP 4. SOURCE RESPONSIBLY

We choose the best organic, natural, sustainable, and synthetic ingredients that meet our standards. Over 80% of the ingredients in our products are natural or plant-derived.

STEP 5. SHARE TRANSPARENTLY

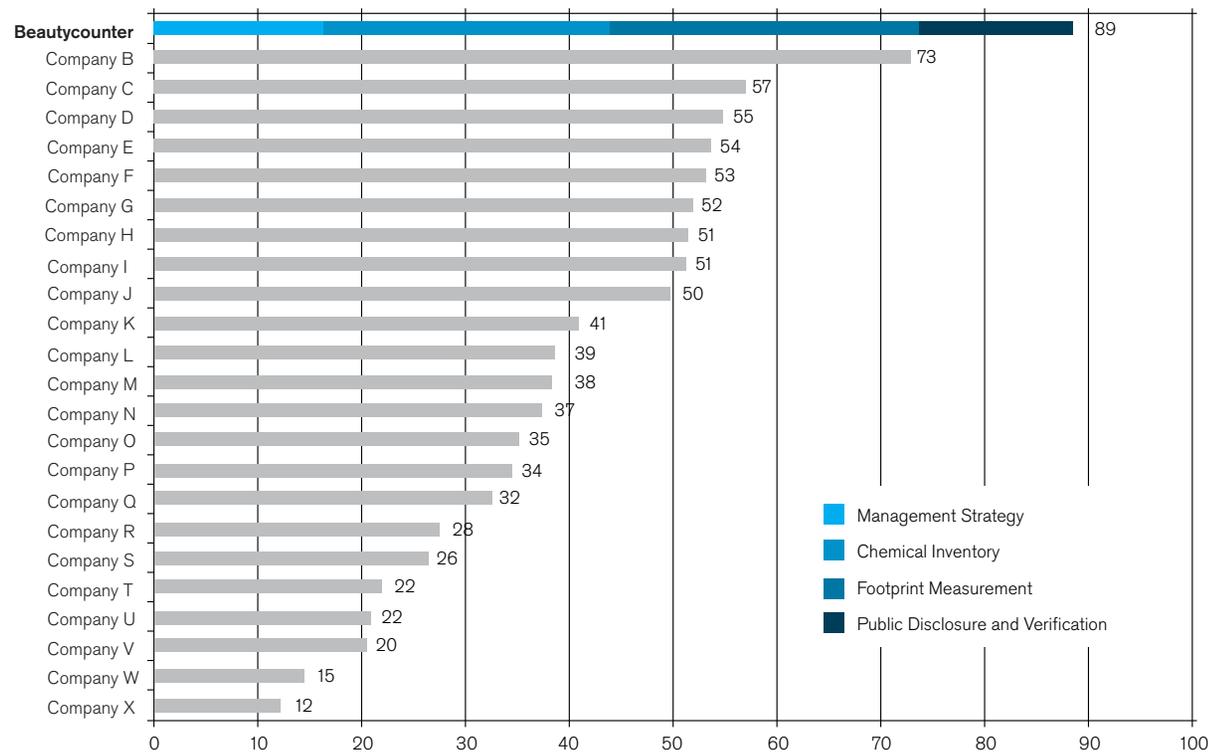
Every formula ingredient, including known components of fragrances, flavors, and intentionally added preservatives, are listed on our product labels or on Beautycounter.com.

Health and Safety Achievements

TO DATE

MOVING FORWARD

FIGURE 2 Chemical Footprint Project Survey: Points Scored by Each Company



In May 2016, Beautycounter received the highest score in the Chemical Footprint Project's inaugural survey. We are proud to be among 24 pioneering businesses both small (millions in annual revenue) and large (tens of billions in annual revenue) to have their chemical management practices closely examined.

Similar to carbon footprinting, the project applies clear and consistent metrics for benchmarking companies. Scores are based on a company's efforts to reduce the use of harmful chemicals, replace harmful chemicals with safer alternatives, and to disclose this work publicly. Our top score demonstrates to companies worldwide that it is possible to grow a business while using safer formulas.

Health and Safety Achievements

TO DATE

MOVING FORWARD

In addition to the 1,500+ ingredients that we prohibit from our product formulations, **Beautycounter has screened approximately 900 chemicals for their impact on health and the environment.**

Health and Safety Achievements

TO DATE

MOVING FORWARD

There are still numerous data gaps regarding chemicals used in the cosmetics and skin care industry. In an effort to learn more, **we launched a ground-breaking research initiative assessing the endocrine activity of some cosmetics ingredients.** Exposure to endocrine—or hormone—disrupting chemicals may lead to serious, adverse health issues, such as pregnancy complications, obesity, type II diabetes mellitus, and hormone-related cancers.

Health and Safety Achievements

TO DATE

MOVING FORWARD



Beautycounter is also a Founding Member of the Environmental Working Group (EWG) Verified™ program. EWG VERIFIED™ goes beyond labels and drives companies to disclose more ingredients seldom listed on product labels toward full transparency. To be verified, for example, products:

- Cannot contain ingredients with health, ecotoxicity and/or contamination concerns.
- Must follow the European Union's requirements for labeling fragrance allergens.

A wide-angle photograph of a vast field of yellow rapeseed flowers in full bloom. The field stretches to the horizon, where a line of trees is visible. The sky is a clear, bright blue with some light, wispy clouds. The overall scene is bright and sunny, conveying a sense of natural beauty and sustainability.

Toward *Sustainable* Beauty

What is Sustainability?



ENVIRONMENTAL FOOTPRINT



PACKAGING



INGREDIENT SOURCING

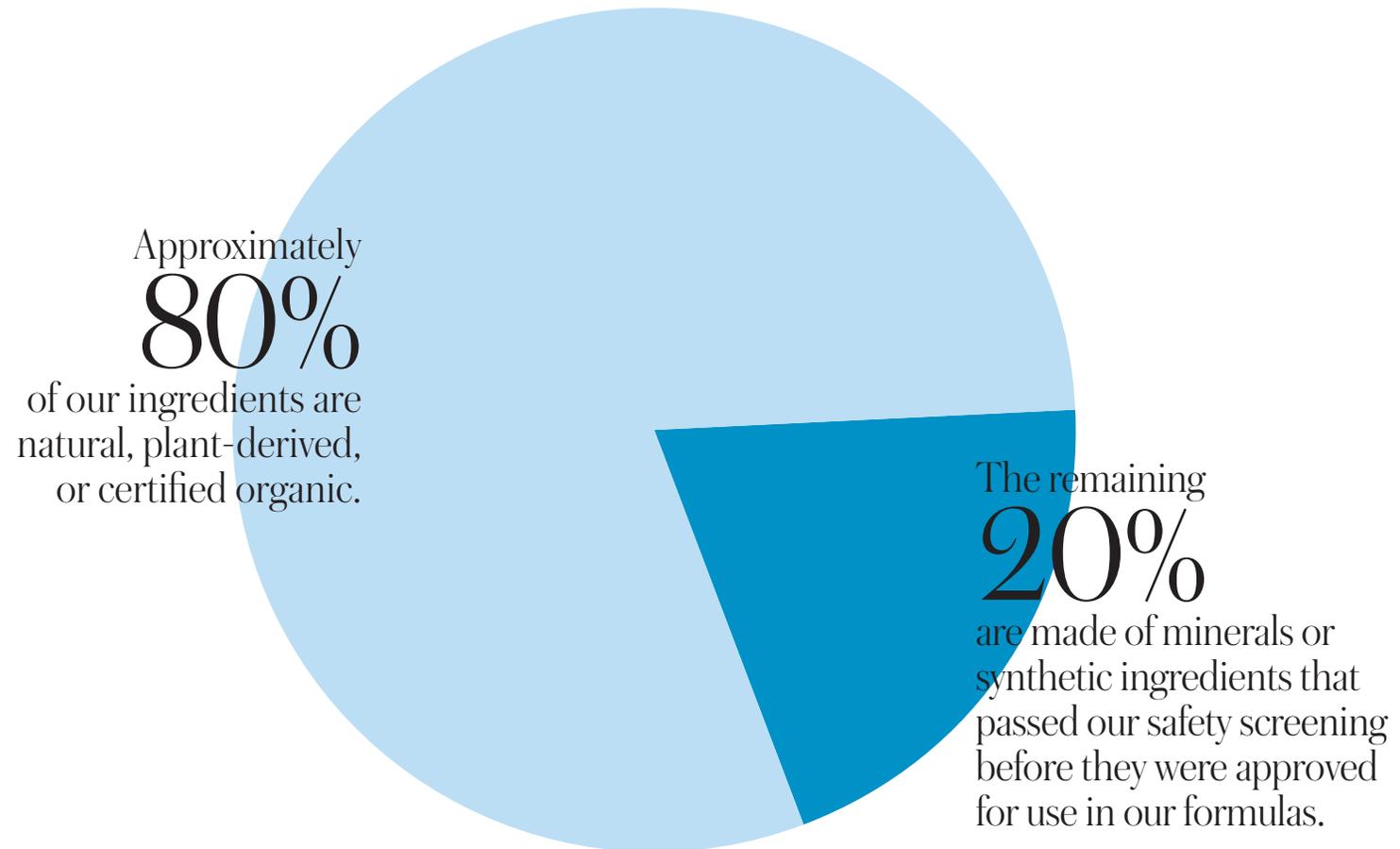
The health of the environment and human beings is inextricably linked. As we create safer products at Beautycounter, we also keep sustainability in mind. Our goal is to promote long-term solutions by limiting our negative impact on the environment and protecting our surroundings from undue harm.

We have identified three areas of focus where we can have the greatest impact, and have put together an action plan for each. They are: Ingredient Sourcing, Packaging, and Environmental Footprint.

Ingredient Sourcing

TO DATE

MOVING FORWARD



Ingredient Sourcing

TO DATE

MOVING FORWARD



Certified Organic Ingredients

Beautycounter believes that organic farming is the best practice for agricultural products. However, many of the ingredients we need for our formulas are not available as certified organic, or price and market availability do not allow us to use only organic versions. We prioritize our organic sourcing based on:

- Potential pesticide residue in the final ingredients
- The level of concern associated with growing practices
- Quantities used in our products
- Reliable supply

In an effort to keep pesticides out of Beautycounter products, our **goal** is to increase our certified organic content with a focus on plant oils, as they are used in higher volumes than many other ingredients in our formulas.

Ingredient Sourcing

TO DATE

MOVING FORWARD

Sourcing Non-GMO

Genetically Modified Organisms (GMOs) are plants that have been genetically altered. Effects of long-term exposure to GMOs are largely understudied and unknown, but they often require higher pesticide or herbicide use than non-modified plants. We give preference to non-GMO ingredients whenever we can. We also work to obtain certification from suppliers of the ingredients most likely to come from genetically modified soy or corn. When formulating safer beauty products, sometimes we're faced with a choice between a known harmful ingredient, or a safer alternative that may come from a genetically modified source. Given that our company's priority is always ingredient safety, in these rare instances, we will choose an ingredient that may have been genetically altered. It's not ideal, but we hope this will change as the industry continues to grow.

RSPO Palm Derivatives

Palm oil is the most used and demanded vegetable oil in the world, and it is commonly used in the cosmetic industry. It is produced on plantations, which can involve highly unsustainable practices that contribute to greenhouse gas

emissions, habitat destruction, and mistreatment of workers.

When we set out to make cosmetics, we wanted to avoid palm oil for the reasons we outlined above, but sometimes it is the only safer ingredient option. In those instances, we use sustainably harvested palm oil when possible.

Our **goal** is to source only Roundtable on Sustainable Palm Oil (RSPO) and palm-derived ingredients. Alternatives to palm oil, such as rapeseed and soybean (vegetable) oil, may threaten the environment even more because they require more land, pesticides, and fertilizers than palm, and do not produce as much yield. We believe the best solution is to urge the palm oil industry to utilize more sustainable practices.

Packaging Selection

TO DATE

MOVING FORWARD



Life Cycle Assessment (LCA)

In 2016, we began to conduct Life Cycle Assessments (LCAs) as part of our packaging selection process. LCAs allow us to compare packaging choices and consider a wide range of factors, including material safety, recyclability, and carbon footprint. For example, we are now able to compare the overall carbon footprint of different plastic packaging options before making a decision.

Packaging Selection

TO DATE

MOVING FORWARD



DID YOU KNOW?

You can use the [recycle search on earth911.com](https://earth911.com) to check recyclability?



Beautycounter secondary packaging is FSC Certified.

By using LCAs during our packaging selection process, we can assess the global environmental impacts of different packaging solutions. From raw materials to the end product, we can measure multiple criteria including water and energy consumption, greenhouse gas emissions, water toxicity, eutrophication potential, and impact on biotic resources.

Choosing more sustainable packaging material can be complex. Sometimes the substances that may seem better for the environment actually have a hidden ecological footprint, making the comparison to standard options more complicated (e.g. the agricultural footprint of bio-based plastics).

Packaging and Recyclability

The vast majority of our product packaging, including all of our secondary packaging and shipping materials, is recyclable in many communities in North America. We have listed all primary packaging information on our product webpages. As the capabilities of recycling facilities vary, we encourage our Consultants and Clients to check their local recycling program.

Paper Boxes

100% of all our paper packaging is Forest Stewardship Council (FSC)-certified. The FSC sets standards for forest-sourced products and independently certifies that these standards have been met. FSC certification gives customers the option to choose products like paper and wood that have been sourced in an eco-friendly, socially responsible, and economically viable manner.

Glass Bottles

Glass is one of the safest packaging materials on the market, and is easily recycled in many cities. We are proud to use glass bottles for some of our products, including our face and body oils.

Environmental Footprint

TO DATE

MOVING FORWARD



We are committed to neutralizing our carbon footprint. To that end, we are following the guidelines of the California Green Business Program, with the goal of becoming a certified business by the end of 2017. The California Business Program measures employee education, waste reduction, energy efficiency, water efficiency, pollution prevention and chemical use, sustainable procurement, and transportation management.

In the past year, we have made tremendous progress toward reducing and offsetting energy and water consumption at our headquarters in Santa Monica, CA. Our office recycles, composts all food waste, uses reusable dishes, and has eliminated single-use water bottles by installing two water filtration machines. In addition, we use safer cleaning products and recycled paper office supplies.

Environmental Footprint

TO DATE

MOVING FORWARD



Carbon Fund

In partnership with the non-profit CarbonFund.org, we purchased the equivalent of 133 metric tons of CO2 emission in **carbon offsets** to match 100% of our 2015 business air travel. These carbon offsets support small and medium scale reforestation projects throughout the U.S. In total, the projects have worked with hundreds of landowners throughout the US—including Texas, Illinois, and Michigan—to sequester over 500,000 metric tons of carbon dioxide emissions.

Additionally, we have been working with CarbonFund.org to offset the carbon footprint of our 2015 and 2016 Leadership Summits. The last Summit gathered about 1,000 Consultants in Atlanta, Georgia.

We also purchased 55 **Renewable Energy Certificates** to match 100% of our 2015 headquarters energy consumption. The certificates support the development of clean renewable energy. Our support went to the Prairie Breeze Wind Farm in Nebraska.

BEF

Beautycounter partnered with the Bonneville Environmental Foundation (BEF) to work on offsetting our water footprint. We purchased 182 **Water Restoration Certificates**, thereby offsetting 120% of our 2015 office water usage. In doing so, we restored 182,000 gallons of water to critically dewatered streams.

Our Water Restoration Credits supported the Colorado Delta Base Flow Project. The Colorado River Delta, one of North America's great desert ecosystems, at one time provided millions of acres of freshwater and wetland habitat to hundreds of fish and wildlife species. BEF, working with Pronatura Noroeste, the Colorado River Delta Water Trust, and National Geographic, supports a series of base flow restoration projects that restore over a billion gallons of water during the dry summer months to help native vegetation and habitation throughout the delta.



Advocacy Achievements

Advocacy Achievements



In less than four years, Beautycounter has had a significant impact in Washington, D.C. We believe that in order to fully deliver on our mission to get safer products into the hands of everyone, we must use our business voice to advocate for more health-protective laws.

During this time, we had a meaningful role in several state legislative initiatives in the states of California and New York; and in Oregon, our team testified in support of the Toxic Free Kids Act, mobilizing our Consultants around the passage of this important children's health bill.

Advocacy Achievements

OUR ADVOCACY EFFORTS IN ACTION

3,500
calls

80,000
emails

500
Meetings

In May 2016, we made our mark in Washington, D.C. by bringing 100 of our Consultants from all 50 states to lobby on Capitol Hill. We held a Congressional Briefing and 100 meetings with key members of Congress and the Executive Branch, including Vice President Joe Biden.

In March 2017, our Consultants held over 100 meetings with members of Congress and Canadian Parliament, asking for better beauty laws. The meetings spanned across 41 states and 8 Canadian provinces, with over 450 people participating.

Since we began our advocacy efforts, we have held over 500 meetings, made more than 3,500

calls, and sent approximately 80,000 emails urging members of Congress and Parliament to pass laws to better regulate the industry.

What's Next?

Reforming our outdated laws will take time and thousands of voices. We will continue to mobilize our Clients and Consultants to advocate for new laws that protect the consumer and help to get safer products into the market. We also look forward to partnering with allied businesses in the coming years. We're stronger when we work together.

Advocacy Achievements



Partnerships

Giving back is central to who we are at Beautycounter. We have generously donated to trusted non-profit partners since day one. We carefully select leaders that are aligned with our mission and support the organizations on this page throughout the year.

To date, Beautycounter has donated over \$500,000 to the following organizations. We will continue to dovetail our company's work with supporting organizations that stand up for protecting public health, advancing scientific research, advocating for women's empowerment, and preventing cancer.