



# **P&G'S FOREST POSITIVE SOURCING POLICY**

Protection of forests and other natural ecosystems is critical for maintaining biodiversity, combating climate change, and sustaining livelihoods. As part of our overall sustainability goals, P&G is committed to eliminating deforestation and ecosystem conversion from our supply chains and to safeguarding human rights across all our operations and suppliers. Given that wood pulp, fiber-based packaging and palm oil are known drivers of deforestation, we have a sourcing policy to address each commodity.

P&G directly sources wood pulp for tissue, towel, and absorbent hygiene products and palm oil for fabric, home, and personal care products. We also source paper-based packaging to house and transport our products. We will diligently pursue sourcing that protects forests and the communities that rely on them. We aim to eliminate deforestation, protect or conserve special sites, respect human and labor rights, and affirm the rights of Indigenous Groups.

# P&G PALM OIL POLICY AND SUPPLIER EXPECTATIONS

## PURPOSE

The purpose of this document is to share P&G's expectations with our suppliers on standards for the responsible sourcing of palm, and how to apply these standards to their supply chains, enterprise wide including 3<sup>rd</sup> parties. P&G refers to The Procter & Gamble Company, its joint ventures, and operating units.

## NO DEFORESTATION, NO PEAT AND NO EXPLOITATION

P&G is committed to responsibly sourcing palm from suppliers and via supply chains that protect eco-systems from conversion and deforestation, respect human and labor rights, and respect land tenure rights. As such, our direct suppliers are expected to be RSPO Members and have the necessary policies and procedures in place to follow P&G's Responsible Sourcing Guidelines for External Business Partners (<https://pgsupplier.com/guidelines/pg-guidelines-for-suppliers>) and the 2018 RSPO Principles and Criteria (P&C) (<https://rspo.org/principles-and-criteria-review>), which include the following standards:

- High-conservation-value ("HCV") areas and high-carbon-stock\* ("HCS") forests are protected\*\*
- No new development of peat lands regardless of depth
- No burning to clear land for new development or replanting
- Respect for human and labor rights
- Protect and support human rights, land rights and environmental defenders
- Respect of land tenure rights, including rights of indigenous and local communities to give or withhold their free, prior, and informed consent (FPIC) for development of land they own legally, communally or by customary rights

*\*The High Carbon Stock Approach ("HCSA") Toolkit should be applied to identify and conserve HCS forest.*

*\*\* These provisions prohibit the conversion of Intact Forest Landscapes (defined by the IFL Mapping Team) for Oil Palm Production*

## RSPO CERTIFICATION

RSPO (Roundtable on Sustainable Palm Oil) certification is an assurance that the standard of palm oil production is sustainable. P&G expects all direct palm suppliers to be RSPO certified and maintain that certification for all supply to P&G. For P&G brands, we expect to achieve 100% RSPO certification Mass Balance (at a minimum) in our supply chain by the end of 2021 and will publicly report RSPO certification status on an annual basis. We further strive to achieve RSPO certification Segregated for palm oil and palm oil derivative purchases.

We will report annually the procured volume and its RSPO certification schemes type for P&G Brands and use in P&G Chemicals for external sales. We will also follow the tiered approach below for reporting of palm supply chains (\* for direct sourcing of P&G materials \*)

- RSPO Segregated (SG) certified volume
- RSPO Mass Balance (MB mixed certified and non-certified) volume from certified mill supply shed will be reported under RSPO certification and supply shed compliance based on the IRF
- Volume from non-certified mill supply shed compliance will be reported based on the IRF.

## P&G PALM OIL POLICY AND SUPPLIER EXPECTATIONS

### Transparency

Improving and promoting supply chain transparency is a key enabler to delivering our responsible sourcing expectations. We expect direct suppliers to trace palm kernel oil back to the original mill and palm oil back to the plantation of origin. We will publish our mill list and update it two times per year. We also expect direct suppliers to publish their concession maps and support industry efforts to develop a common approach for publishing these maps.

### Monitoring

We are partnering with technical service organizations to implement satellite imaging-based tool to monitor, detect and alert incidents of deforestation, peat clearing, development without prior High Carbon Stock assessment and fire/hot spot.

### Grievance

All of our direct Tier 1 suppliers are expected to address incidents and report the actions taken to remediate and mitigate future incidents from occurring. In addition to engaging with Tier 1 suppliers to ensure all grievances are addressed, dependent upon the nature and circumstance of the grievance, P&G may also choose to engage with other relevant third parties. A summary of the incidents reported to us will be published and updated three times a year. In addition to sharing with us, we expect our direct palm oil and palm kernel oil suppliers to have their own public grievance policy and public dashboard to report incidents received and actions taken to investigate, remediate and mitigate.

P&G requires direct suppliers to remediate non-compliance when they are confirmed to have caused or contributed to deforestation or conversion after December 31, 2015, or, if supplier maintains an earlier cut-off date, by such earlier cut-off date.

Our approach to remediation of deforestation or conversation is as follows:

- If our supplier does not acknowledge and take action to remediate the incident, we will suspend or eliminate palm purchases from that supplier. A supplier would need to have a documented action plan and demonstrate meaningful progress to be considered for reinstating supply agreements.
- If the land in question is already producing Fresh Fruit Bunches (“FFB”), supplier will ensure no FFB or palm from the area is supplied to P&G
- If the land in question is not producing FFB:
  - For landowners:
    - Immediate halt to any further development activities
    - Development and implementation of a restoration or compensation plan
  - For non-landowners:
    - The supplier should immediately suspend sourcing from the area in question
    - The supplier should work with the landowner to develop and implement a restoration or compensation plan
    - Should the landowner be unwilling to develop and implement a restoration or compensation plan, we expect our supplier to suspend or eliminate purchase from the landowner

Our approach to restoration or compensation is as follows:

- Comply with applicable laws
- In the absence of any agreed framework, use a multi-stakeholder process to define a scientifically valid and meaningful method to restore the impacted land, or conserve/restore equivalent (or greater) areas similar to the impacted ecosystem and its associated values.
- The restoration or compensation plan should include protection and monitoring mechanisms that reflect the concept of shared responsibility across business & landowners, local community, government, and civil society organization