



FORESTRY PRACTICES REPORT SUPPLEMENT

Following the publication of our [Forestry Practices Report](#) in March 2021, P&G received a request for additional information on our forestry practices, including the Company's assessment of the benefits and drawbacks of committing to eliminate sourcing from intact forests in its wood pulp and palm oil supply chains. In keeping with our goal of transparency, we are pleased to provide the following supplemental discussion of our footprint and several aspects of our forestry sourcing practices, including whether a commitment to eliminate certain sourcing would be prudent for the Company and its stakeholders. We continue to provide additional information on our forestry practices and impact generally on our ESG for Investors site at <https://www.pginvestor.com/esg/environmental/forestry>.



INTACT FOREST LANDSCAPES, INTACT FOREST AREAS, HIGH CONSERVATION VALUE (HCV), AND HIGH CARBON STOCK (HCS) FORESTS

P&G uses wood pulp, palm oil, and palm kernel oil in several of our product categories. Each of these materials has a different supply chain, and we have developed tailored policies and approaches to managing our impact in each. Even though we do not own or manage commercial forests and our footprint is relatively small in both the palm oil and wood pulp supply chains, we continue to play a key role in working to ensure that our procurement and manufacturing practices promote sustainability of the world's forest resources.

Intact forest landscapes (IFLs) are generally understood as significant, unbroken forest areas minimally impacted by human activity.¹ High Conservation Value (HCV) forests are areas that have been designated to have critical or important environmental, cultural, ecological, or landscape values, which can include IFLs. Similarly, High Carbon Stock (HCS) forests are areas of high biodiversity and carbon in tropical regions, as identified by the High Carbon Stock Approach.

In assessing our impact on these forest areas and the robustness of our current practices and commitments, we have looked at various aspects, including:

- P&G's policies and commitments
- Requirements of highly regarded certification systems
- P&G's footprint
- P&G's ability to maintain and expand its positive influence in the industry

Overall, we already prohibit the conversion of these forest areas in our palm oil supply chain, and we conclude that a wholesale commitment to eliminate sourcing from IFLs in our wood pulp supply chain would have unintended consequences that would drive more negative than positive impacts for both conservation efforts and the Company.

PALM OIL

As described further in this supplement, P&G's [Palm Oil Sourcing Policy](#) effectively **prohibits the conversion of intact forest landscapes** for palm oil production. Palm oil is produced from the fruit of the oil palm tree. The palm fruit is harvested from trees located on both large oil palm plantations and smallholder farms. After each harvest, the oil palm tree continues to grow and produce fruit during its lifespan. As palm fruit is processed to

¹ This general definition is based on the widely-used Global Forest Watch and IFL Mapping Team definition of an intact forest landscape (<https://www.globalforestwatch.org/> and <https://glad.umd.edu/intactforests/method.html>), which we use when discussing IFLs throughout this supplement.

produce palm oil, the palm kernels—the seeds of the palm fruit—are separated and crushed to create palm kernel oil. P&G primarily purchases this palm kernel oil, not palm oil.

P&G's overall palm oil footprint is relatively small. **P&G currently uses less than 1% of the global palm oils production.** Further, most of this use is palm kernel oil, a byproduct of palm oil production. Despite this relatively small footprint and the fact that P&G does not own or play a direct role in the cultivation of palm, we nevertheless believe it is possible to work for and towards sustainable and responsible palm use broadly in the industry.

As outlined in our [Palm Oil Sourcing Policy](#), we prohibit new development on HCV and HCS forests and reference the HCS Approach as the integrated methodology for assessing HCS and HCV landscapes. These provisions are also incorporated into the Roundtable for Sustainable Palm Oil Production (RSPO) Principles & Criteria.² Both of these forest designations, HCV and HCS, generally include IFLs in their scope. Accordingly, the inclusion of these elements in our Policy and our requirement for suppliers to follow RSPO P&Cs effectively prohibit conversion of IFLs for palm production.

Based on our analysis of our current policies, certification programs, and related efforts, we believe our robust Palm Oil Sourcing policy and approach, which prohibits conversion of HCS and HCV forests (and therefore, IFLs) in our palm oil supply chain, remains appropriate and in both the Company's and its many stakeholders' best interests.

WOOD PULP

Similarly, P&G is committed to sourcing wood pulp responsibly, ensuring that forests in our supply chain are managed sustainably and in line with our policies. Wood pulp is largely a byproduct of the lumber industry. The best mature trees are harvested and cut into high-value lumber products. The byproducts of these higher-quality trees, like chips and shavings, are combined with other timber to create wood pulp for use in making paper products. Because the production of lumber and wood pulp requires the harvesting of trees, P&G's [Wood Pulp Sourcing Policy](#) focuses on **prohibiting deforestation and illegal logging, protecting HCV forests, supporting human rights (including Free, Prior, and Informed Consent), securing third-party certification, monitoring supplier compliance, and transparently addressing grievances.**

Regarding sourcing from HCVs and IFLs, P&G's Wood Pulp Sourcing Policy prohibits deforestation—the conversion of forests to non-forest uses—and protects these forest areas by requiring that our suppliers not harvest from such areas without third-party certification. We believe that requiring certification helps ensure that HCVs and IFLs are properly identified, managed in collaboration with local stakeholders, and monitored for ongoing health and status.

Specifically, and as outlined further in our Forestry Practices Report and on our ESG for Investors, P&G requires 100% of the wood pulp we source to be certified by a third-party certification system that ensures forests are responsibly managed. Our current certification systems are the [Forestry Stewardship Council \(FSC\)](#), [Sustainable Forestry Initiative](#), and [Programme for the Endorsement of Forest Certification](#). **These systems also require**

² The RSPO is a global, multi-stakeholder initiative that provides certification of sustainably produced palm oil. The 2018 RSPO Principles and Criteria integrate the requirements of P&G's sourcing policy and provides a highly regarded standard for biodiversity protection and assurance. P&G requires suppliers to be members of RSPO, and we are on target to achieve our accelerated goal of 100% RSPO certified palm oil for all P&G brands by the end of 2021.

annual audits by independent third-party certification bodies, such as Preferred by Nature, PwC, SCS Global Services, SGS, SAI Global, KPMG, and others.

In evaluating our certification systems, we maintain a preference for FSC certified fibers and continue to press for their expanded sourcing. FSC standards require the protection—i.e., non-harvesting—of 60-80% of an IFL over its lifetime,³ regardless of how the timber is used or whose supply chain it enters, and these standards apply to all P&G suppliers. This limited harvesting is permitted to help balance the important needs of the environment, biodiversity, and Indigenous groups and the economic needs of workers and local communities. Because of this restrictive approach and our geographic footprint, we estimate that **less than 1% of P&G's global wood pulp sourcing includes IFLs**. And these areas are responsibly managed as described in this supplement and our Forestry Practices Report and policies.

This also reflects P&G's relatively small footprint in the wood pulp industry overall. For example:

- P&G purchases **less than 3% of the wood pulp produced in Canada** (whose forests we recognize are an area of focus for stakeholders)
- P&G purchases **only about 1% of the wood pulp used in the United States**.
- When viewed as a percentage of the overall wood products produced by the lumber industry, **P&G uses significantly less than 1% of Canada's wood products**.
- In addition, **more than 90% of Canada's forests are on publicly owned land**, and the Canadian government prohibits deforestation and closely regulates harvesting practices and applies land-use planning requirements through legislation and other policies.

We have further researched whether a commitment to eliminate P&G's small amount of wood pulp sourced from IFLs would have the benefit of helping conserve forest land. Although such a commitment would theoretically remove these areas from P&G's supply chain, our assessment is that it would not eliminate their use in the industry generally or likely conserve any incremental forest land. Specifically, based on our extensive sourcing experience and conversations with suppliers and other stakeholders, we do not believe that we can practically dictate that our suppliers not source wood pulp that may include a small amount of fibers from IFLs. In fact, we expect that making such a commitment and mandate would likely have the unintended consequence of simply shifting this supply to other industries and companies globally, many of whom may be willing to accept less responsible practices or requirements for their sourcing. Such a commitment would also practically limit P&G's wood pulp supply and hinder our ability to make the high-performing paper products that consumers want and need, significantly impacting our business. We are also not aware of any IFL requirements in any recognized certification or a similar commitment in any large manufacturer's forestry policies.

As a result, we believe the benefits of committing to eliminate sourcing from IFLs and related forest areas in our wood pulp supply chain are currently far outweighed by the downsides. As described above, such a commitment is unlikely to conserve incremental forest land. In fact, it is more likely to remove P&G as a voice for responsible sourcing practices in the industry. Accordingly, we continue to believe that our Wood Pulp Sourcing Policy and commitments, marked by seeking to achieve the highest levels of certification where possible and providing significant transparency on our efforts, position P&G to have

³ FSC standards also use the Global Forest Watch definition of an intact forest landscape (<https://www.globalforestwatch.org/>). in

industry-leading practices that enable us to provide consumer-preferred products, promote long-term value, and safeguard forest health for generations to come. By adhering to these standards and working broadly to influence the industry, we can better help ensure IFLs and related forest areas are broadly conserved.

FREE, PRIOR, AND INFORMED CONSENT (FPIC)

In assessing our approach, we also wanted to provide additional clarity on how P&G's forestry policies address FPIC. Both our [Palm Oil Policy and Supplier Expectations](#) and our [Wood Pulp Sourcing Policy](#) explicitly respect and protect human rights, which are fundamental to the way we manage our business. Not only do we support the [U.N. Guiding Principles for Business and Human Rights](#), we expect our suppliers to have the necessary policies and procedures in place to follow our [Responsible Sourcing Guidelines for External Business Partners](#).

These policies and procedures include supporting the [United Nations Declaration on the Rights of Indigenous Peoples](#), which declares that indigenous peoples have the right to full enjoyment, as a collective or as individuals, of all human rights and fundamental freedoms. P&G respects the rights of indigenous and local communities to give or withhold their free, prior, and informed consent for development of land they own legally, communally, or by customary rights. The FPIC processes should be done in a culturally appropriate manner and follow credible methodologies such as the [UN-REDD \(2012\) Guidelines on Free, Prior and Informed Consent](#) and [FAO \(2015\) Free, Prior and Informed Consent Manual](#). In addition, each of the certification systems we use in our forest supply chains—FSC, SFI, PEFC, and RSPO—has specific provisions that speak to ensuring FPIC.

We discuss further below our approach to monitoring our suppliers' compliance with these expectations.

COMPLIANCE MONITORING AND ACTION

In evaluating our commitments and efforts, we also recognize the need to continue to monitor compliance with our policies and take appropriate corrective action where necessary. In our compliance monitoring program and our non-compliance protocols, we use several strategies.

For example, in our palm oil supply chain, we **use satellite monitoring technology to detect forest clearance that may violate our Policy**. Our monitoring partner [Earthqualizer](#) directly sends us alerts of any potential non-compliance. If we receive such an alert, whether via our satellite monitoring or other credible sources, we follow a formal grievance management process and publicly report the status of grievances via an online report.

This strategy helps us address issues when they do occur and ensure that we remain an advocate for responsible palm oil sourcing globally.

Similarly, we continuously review wood pulp suppliers to ensure they provide us with sustainably sourced fiber and follow our [Wood Pulp Sourcing Policy](#) and certification standards, including respecting FPIC. For example, **P&G conducts with each supplier semi-annual sustainability audits, biennial forest field assessments, and quarterly evaluations of sustainability efforts and plans. We also conduct annual sustainability summits with our Canadian suppliers.** If non-compliance is identified, we work with our suppliers and certification partners to investigate these claims and take appropriate actions, which are shared on our [ESG for Investors site](#).

Across our palm oil and wood pulp policies, our non-compliance protocols and actions can include:

- Immediate halts to further development activities or suspension of down-stream purchasing from the area in question
- Reduced purchases
- Suspension or elimination of purchases
- Termination of agreements
- Development of restoration or compensation plans, as appropriate

Our compliance and grievances processes are outlined in each policy, again available on the Forestry section of our [ESG for Investors site](#). In addition, **P&G has a [P&G Business Conduct System](#) to allow those both inside and outside the Company to raise concerns.**

We continue to examine and further develop and strengthen our non-compliance protocols in our palm oil and wood pulp, including their application to our supplier's enterprise-wide operations, and will continue to provide updates in our public policies and on our ESG for Investors.