

P&G Responses to Certain
MSCI ESG Controversies

1. MSCI Controversy: “Malaysia: Allegations of forced labor at joint venture palm oil plantation”

Alleged Controversy: NGOs alleged P&G has failed to sufficiently address forced labor issues linked to palm oil supply from FGV Holdings Bhd (FGV). Note: P&G does not own or have a joint venture in palm oil plantations.

Resolution Summary: P&G has been actively engaged in efforts to address allegations of forced labor linked to FGV’s supply chain since 2019. Aligned with our responsibility under the UN Guiding Principles on Business and Human Rights (UNGPs), we have used our leverage in a variety of ways to seek to influence and support FGV to take meaningful action to address workers’ rights. Our significant engagement efforts have thus far helped to drive important changes in FGV’s policies, procedures, and approach and resulted in positive outcomes, including recruitment fee remedy for workers. We recognize there is need for continued progress by FGV, and we continue to engage and use our leverage to help support ongoing progress.

P&G’s Actions and Ongoing Engagement: P&G recognizes the importance of addressing the forced labor issues identified at FGV. In 2019, we concluded that the best way to support ongoing change for FGV estate workers would be through continued engagement with FGV. This approach allows P&G to continue to use its leverage most effectively on behalf of workers and encourage FGV to address remediation of potential impacts. Progress from this approach includes the following steps:

- Sustained engagement with FGV Leadership: P&G has engaged FGV in ongoing dialogue at many levels, including through the leadership team, commercial team, and other teams, to ensure progress on FGV’s policies, procedures, and systems as well as progress on remediation efforts.
- Partnering with Fair Labor Association: In 2019, P&G and FGV jointly engaged the Fair Labor Association (FLA), a multi-stakeholder initiative dedicated to promoting responsible labor practices, to develop a comprehensive action plan focused on strengthening policies, systems, and processes related to worker rights. This plan was published in March 2020 and focused on worker engagement, remediation, and independent monitoring. Since 2022, FGV has engaged LRQA (formerly, Elevate) to continue developing FGV’s social remediation plans.
- Worker Voice Assessment: In 2021, P&G funded a worker voice assessment at FGV plantations conducted by EMBODE, an independent expert human rights consultancy, to ensure worker voices were being heard clearly by FGV leadership.
- Engagement and Monitoring: In addition to P&G’s own monitoring, we engaged the support of external parties to help facilitate independent monitoring of FGV’s efforts to address the adverse impacts. In July 2022, FLA’s Baseline Independent External Assessment reported significant progress in relation to the 2020 Action Plan. Further, P&G has used its leverage with FGV to encourage engagement with external stakeholders with expertise on migrant workers and ethical recruitment.

Outcome-Driven Leverage: We take seriously our responsibility as defined by the UNGPs for impacts to which we are connected and have used our leverage to drive better outcomes for affected stakeholders. Although FGV needs to continue working to fully remediate issues related to worker rights, we see clear signs of progress that confirm for us that the steps we are taking to use our leverage with FGV are the right approach:

- Remedies for Affected Workers:
 - *Repayment of Recruitment Fees:* Across 2023-2024 FGV completed repayment of recruitment fees to 21,837 workers, totaling approximately \$18 million USD. This process is ongoing, including further outreach to former workers who have since returned to their home countries. Payments are being validated by LRQA.
 - *Access to Identity Documents:* FGV adopted new policies and practices to ensure that migrant workers retain their passport and identity documents, enabling freedom of movement.
 - *Housing Improvements:* Between 2018-2023, FGV invested approximately \$117 million USD in worker housing upgrades and has allocated an additional \$145 million USD for further improvements through 2026.
- Governance Reforms to Prevent Future Impacts: FGV introduced a number of governance and management system improvements, aimed at preventing and addressing future impacts, including:
 - A new Group Sustainability Policy, including enhanced human rights commitments;
 - Executive and Board Level structure changes to improve governance on human rights;
 - New ethical recruitment guidelines, applicable to third party labor providers that recruit migrant workers for work on FGV plantations, which include a commitment to the Employer Pays principle;
 - Independent monitoring of the activities of recruitment agencies;
 - Enhanced worker-level grievance mechanisms, including a new third-party channel accessible to all workers; and
 - Human rights training programs for workers and managers across FGV sites.

P&G acknowledges that ongoing commitment to continue implementing and evolving these efforts are needed by FGV to ensure ongoing continual improvement and address remediation fully. Nevertheless, we are encouraged by the tangible progress made by FGV to date and the impact of our efforts to drive and support that progress. We will continue to actively monitor FGV's progress and support these efforts when necessary to ensure that this progress is sustained. We welcome dialogue with external stakeholders on the actions taken, the pace of progress, and further work ahead.

2. MSCI Controversy: “Indonesia and Malaysia: Criticism by environmental protection groups over palm oil production allegedly linked to deforestation”

Alleged Controversy: This controversy consists of three separate allegations:

- 1) Rainforest Action Network (RAN) alleged that two smallholder farmers who were linked to P&G’s supply chain had illegally deforested areas within the Rawa Singkil Wildlife Reserve.
- 2) Friends of the Earth (FoE) alleged P&G sourced from a supplier in Indonesia, Astra Agro Lestari (AAL), involved in deforestation through its subsidiaries.
- 3) Chain Reaction Research (CRR) alleged most of P&G’s palm oil purchases flow from non-certified plantations in Indonesia and Malaysia and that P&G suppliers were responsible for peat clearance and forest clearance.

Resolution Summary: When allegations of deforestation in our supply chain are raised, we investigate any such allegations through our [Forestry Grievance Process](#). That process consists of: (1) initial assessment to determine if there is a connection to P&G’s supply chain; (2) investigation to determine if the alleged impacts took place (in this case, deforestation); and (3) actions taken by P&G to address the impacts, aligned with our responsibilities under internationally recognized frameworks. In some cases, that action may consist of using our leverage with and through supply chain partners to change non-compliant behaviors or practices, while in other cases it may consist of excluding non-compliant actors from our supply chain.

The two allegations raised by NGOs (RAN and FoE) raised in the MSCI controversy were formally investigated through our grievance process. Where there was a connection to our supply chain and the allegations were substantiated, P&G took actions to address the impacts, aligned with our responsibilities under internationally recognized frameworks. Outcomes were transparently communicated directly to those who raised the allegations and publicly through P&G’s [Palm Grievance Tracker](#).

P&G’s Actions and Ongoing Engagement: P&G is committed to no deforestation in our forest supply chain. This commitment is included and defined in our Forest Commodities Policy (revised May 2023), which also requires our palm oil suppliers to make similar No Deforestation and NDPE (No Deforestation, No Peat, No Exploitation) commitments. As part of our compliance program, we proactively monitor over 18.9 million hectares of potential sourcing footprint through independent satellite monitoring with independent third party Earthqualizer (first implemented in 2021) for any indications of deforestation. Additional details on P&G’s palm oil sourcing program can be found on [P&G’s Investor Relations website](#).

The following describes the actions P&G took with respect to each of the three allegations within the controversy.

1) 2022 RAN Allegations Regarding the Rawa Singkil Wildlife Reserve

RAN’s 2022 report entitled “Carbon Bomb Scandals: Big Brands Driving Climate Disaster for Palm Oil” identified 10 consumer goods companies, including P&G, that it claimed sourced palm oil from smallholders linked to deforestation in the Rawa Singkil Wildlife Reserve, which covers an area of approximately 80,000 hectares. The allegations connected to P&G’s supply chain involved two

smallholder farmers, Mr. Mahmudin and Ms. Nasti, that RAN alleged had illegally deforested areas within the reserve, and P&G took actions to evaluate and investigate the grievance.

- Initial Assessment: P&G evaluated the grievance and determined that although we did not source directly from these smallholders, Mr. Mahmudin and Ms. Nasti, we identified indirect sourcing links to them through our Tier 1 Suppliers. This led to engaging our Tier 1 Suppliers to conduct local field assessments.
- Investigation: These local field assessments concluded that, while one smallholder was farming a plot of land held legally, both smallholder farmers had developed approximately 10 hectares (0.1 square kilometer) of land within the boundaries of the Rawa Singkil Wildlife Reserve.
- Action: Based on these findings:
 1. Engagement with Ms. Nasti proved unproductive – she refused to engage and to return and remediate the land. We therefore immediately suspended this smallholder (effective December 2022).
 2. Initial engagement with Mr. Mahmudin was positive – he expressed a willingness to work with our Tier 1 Supplier and to return and rewild the land. We therefore continued engagement to seek to use our leverage to drive positive progress. However, following a six-month engagement period the smallholder did not make progress and retracted his agreement. We therefore excluded this smallholder (in agreement with our Tier 1 Supplier) in August 2023.
- Resolution: Having expended our leverage with the two smallholders, as of August 2023, neither of the two smallholder farmers involved in RAN's allegations are part of P&G's supply chain. P&G's involvement in the allegations related to this conflict have been concluded. As of April 2025, the two smallholders involved in RAN's allegations continue to not be part of P&G's supply chain.
- The information outlined above was communicated directly to RAN across the course of the investigation and updated and shared publicly via our [Palm Grievance Tracker](#).

2) 2022 FOE Allegations Regarding AAL

FoE's 2022 report entitled "No Consent- Astra Agro Lestari's land grab in Central and West Sulawesi, Indonesia" raised allegations that a number of AAL subsidiaries were involved in illegal deforestation, forest encroachment, and land conflicts with local communities. P&G first became aware of these allegations in October 2020 and took immediate action to evaluate and investigate the grievance.

- Initial Assessment: P&G does not source directly from PT AAL. However, following our investigation, we concluded that materials from PT AAL (including the 3 subsidiaries identified by FOE) were entering our supply chain indirectly via our Tier 1 Suppliers.
- Investigation: Following consultation with the NGO that raised the complaint, P&G engaged an independent third party, EcoNusantara, to conduct a field investigation, which was completed in June 2022. EcoNusantara was identified in collaboration with both the NGO's, local community, and PT AAL. The findings of that investigation substantiated some of the concerns raised, and an executive summary was made [publicly available](#) in both English and Bahasa via our [Palm Grievance Tracker](#). A full summary was shared with the parties to the field assessment.

- Action: Based on these findings:
 1. P&G engaged with the support of a Tier 1 Supplier directly with PT AAL (who participated in our field assessment) to request an action plan to address issues and drive remedy.
 2. In October 2022, due to lack of a meaningful action plan and progress by PT AAL, P&G directed all our Tier 1 Suppliers to exclude the three subsidiaries of PT AAL identified by FoE – PT Mamuang, PT Lestari Tani Telada (PT LTT) and PT Agro Nusa Adadi. We subsequently extended this suspension to PT Pasangkayu and PT Letawa in 2023.
 3. P&G continued to engage with stakeholders, and at FoE's request, organized a listening session for companies, including P&G and several peer companies, to hear directly from affected community members.
 4. When subsequent allegations of violence and intimidation were raised in June 2024, P&G sought to use its leverage to help achieve progress through a series of engagements with our Tier 1 Supplier and to raise the issues and concerns brought to us by FoE directly with PT AAL.
 5. Based on these further allegations and a lack of sufficient progress by PT AAL, in December 2024, P&G instructed our Tier 1 Suppliers to initiate an exclusion of all PT AAL subsidiaries from our supply chain.
- Ongoing: P&G's December 2024 decision to exclude all PT AAL subsidiaries is currently being implemented by all of P&G's Tier 1 Suppliers, and P&G will continue to monitor implementation until this action is complete.
- The information outlined above has been communicated to FoE throughout the grievance process and shared publicly via our [Palm Grievance Tracker](#).

3) 2019 CRR Allegations Regarding Potential for Deforestation in P&G Supply Chains and Implemented Approach to No Deforestation, No Peat, No Exploitation (NDPE) Policy

P&G does not own or manage palm plantations or mills, and we are a relatively small user of palm oils (only ~0.6% global supply). We recognize, however, that our choices and procurement practices have a role to play in securing more positive environmental and social outcomes. Many years ago, P&G put in place our Responsible Palm Oil Sourcing program, which has its foundation in 3 key pillars of action:

- **Robust Sourcing Fundamentals:** P&G's sourcing policies set clear expectations for our palm oil suppliers, including expectations regarding deforestation, human rights and certification requirements. Our sourcing strategy emphasizes supply chain transparency and traceability, which we publicly disclose.
- **Supply Chain Due Diligence:** P&G proactively monitors compliance with our expectations through third party certification programs such as RSPO and independent satellite monitoring of our entire forest footprint. We engage with our Tier 1 Suppliers across these expectations and investigate any allegations of non-compliance through our [Forestry Grievance Process](#).
- **Positive Impact Partnerships:** Beyond our responsible sourcing efforts, we invest in programs and partnerships to enhance positive outcomes for individuals, communities, and the environment where palm is cultivated. These include sustainable livelihoods for smallholder farmers, environmental conservation programs in Malaysia and Indonesia, and active

participation in industry and multistakeholder associations seeking to strengthen responsible practices in the palm oil sector.

The steps we take are designed to help eliminate, minimize, or manage environmental risks (including deforestation) and deliver positive social impacts. There is no single solution, so we apply a series of measures focused on landscapes, deforestation, and people, which include:

- A. Setting Clear NDPE Policies and Expectations – Policies establish a foundation of shared understanding of the practices P&G expects our suppliers to follow when conducting business on our behalf. Our expectations include No Deforestation, No New Development on Peat, No Exploitation (NDPE). All P&G Tier 1 Suppliers are required to be members of Roundtable on Sustainable Palm Oils (RSPO) and comply with RSPO's 2024 Principles and Criteria, which also include NDPE expectations. Our NDPE policy applies regardless of whether material supplied to P&G is RSPO certified.
- B. Supply Chain Traceability and Transparency – We trace 98%+ of our palm oils supply to palm oil mills. This informs our proactive environmental monitoring program and enables data-based engagement with our suppliers on actual or potential risk. P&G shares this information publicly via our P&G Investor Relations website including: [P&G Direct Supplier List](#) and [P&G Palm Oil Mill List](#).
- C. Proactive Satellite Monitoring of Deforestation & Peat – Since 2020, P&G has conducted on-going, around-the-clock satellite monitoring of our palm oil supply landbank:
 - Monitoring is conducted with Earthqualizer (EQ), an independent not-for-profit organization. The monitoring provides “real time compliance data” for tracking potential deforestation, new development on peat, and burning to clear land.
 - P&G currently monitors over 18.9+ million hectares of P&G suppliers' landbanks in Indonesia, Malaysia, and Papua New Guinea. The methodology uses big data analysis, integrating satellite tracking technology, concession mapping, and expert knowledge of high-conservation-value/high-carbon-stock landscapes.
 - *Note, a palm concession is an area of land where a government or local authority has granted a license or permit to a private company to establish palm oil plantations on public lands. RSPO publishes [Members Palm Concession Maps](#).*
 - In P&G's fiscal year 2023-2024, we confirmed that 99.95% of supply chain landscapes monitored were “free of deforestation or conversion issues” of the kind that would require further investigation. Where issues may have occurred, the robust information generated with Earthqualizer has allowed P&G to engage more effectively in discussions with our suppliers and to provide data to help guide and accelerate remediation and monitor on-going progress.
- D. Responsive, Transparent, and Public Grievance Investigation and Reporting
We recognize that even the best approaches, policies, and proactive monitoring may not identify and prevent all issues. We take all grievances seriously and investigate as specified in our [Forestry Grievance Process](#). Given the importance of providing transparency, as well as communicating with those who are raising concerns, we also publish our [Palm Grievance Tracker](#) publicly three times per year.

3. MSCI Controversy: “Criticism by NGOs over alleged contribution to global plastic pollution”

Resolution Summary: P&G’s aim is to support a more circular value chain where more materials are recycled and remade to remain in use instead of becoming waste.

Details on P&G’s Actions and Ongoing Engagement:

P&G has 2030 plastic packaging goals to:

- Design 100% of our consumer packaging to be recyclable or reusable, and
- Reduce our use of virgin petroleum plastic in our consumer packaging by 50% per unit of production versus 2017 baseline.

As of P&G’s fiscal year 2023/2024, 80% of our consumer packaging is designed to be recyclable or reusable, and we have reduced our use of virgin petroleum plastic in our consumer packaging by 21% versus 2017 baseline.

P&G is investing in new to the world innovation which provides sustainability technology to multiple companies’ and industries’ efforts. We are teaming up with industry coalitions and partners to invent and find scalable solutions to reduce waste and increase recyclability and reuse of packaging and materials, including by advancing separation and recovery technology that can improve both the quantity and quality of recovered plastic. In areas of the world that currently lack adequate waste management systems, we are advancing pilots that can prove the feasibility of scalable waste management solutions that can help stop the leakage of plastic to the environment. Some of our key partners are the [Alliance to End Plastic Waste](#), [Circulate Capital](#), [Deltterra](#), [PureCycle](#), and [The Recycling Partnership](#). Read more about these partnerships and our broader efforts [here](#).

MSCI noted a February 2020 lawsuit Earth Island Institute filed against ten major companies. Earth Island Institute and P&G entered into a settlement agreement to resolve this lawsuit, and Earth Island Institute [dismissed its lawsuit](#) against P&G. P&G is no longer involved in the lawsuit.