



July 9, 2021

**By Electronic Mail to [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)**

Office of Chief Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

**Re: The Procter & Gamble Company – Shareholder Proposal  
Submitted by the Green Century Equity Fund**

Ladies and Gentlemen:

In a letter dated June 8, 2021, The Procter & Gamble Company (the “Company”), requested confirmation pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended, that the staff of the Division of Corporation Finance would not recommend enforcement action to the U.S. Securities and Exchange Commission if the Company excluded a shareholder proposal (the “Proposal”) submitted by the Green Century Equity Fund (“Green Century”) from the proxy materials for its 2021 annual meeting of shareholders.

On July 9, 2021, Green Century confirmed its withdrawal of the Proposal by email to the SEC and to the Company (attached as Exhibit A). In reliance thereon, the Company is withdrawing its No-Action request.

If the Staff has any questions with respect to this matter, please contact me at (513) 983-1100.

Very truly yours,

Aaron B. Shepherd  
Director & Assistant General  
Counsel

cc: Annalisa Tarizzo  
The Green Century Funds

**EXHIBIT A**

## Shepherd, Aaron

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**From:** Annalisa Tarizzo <atarizzo@greencentury.com>  
**Sent:** Friday, July 9, 2021 3:01 PM  
**To:** shareholderproposals@SEC.GOV  
**Cc:** Elrod, Tonia; Mcaneny, Jack; Shepherd, Aaron; Thomas Peterson  
**Subject:** P&G shareholder proposal withdrawal - Green Century  
**Attachments:** PG - Final Withdraw - GCCM - 6.9.docx; PG\_ Rule 14a-8 No-Action Request.pdf

Hello,

Green Century would like to withdraw our shareholder proposal filed with the Procter & Gamble Company on the topic of deforestation risk. I have attached our executed withdrawal agreement and the company's no-action request for reference.

Thank you,  
Annalisa

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Annalisa Tarizzo  
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Legal Division  
1 Procter & Gamble Plaza  
Cincinnati, OH 45202

June 8, 2021

**By Electronic Mail**

Office of Chief Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

**Re: The Procter & Gamble Company – Shareholder Proposal  
Submitted by the Green Century Equity Fund**

Ladies and Gentlemen:

On behalf of The Procter & Gamble Company (the “Company” or “P&G”), I am submitting this letter pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), to request confirmation from the staff of the Division of Corporation Finance (the “Staff”) that it will not recommend enforcement action to the U.S. Securities and Exchange Commission (the “Commission”) if the Company excludes a shareholder proposal submitted by the Green Century Equity Fund (the “Proposal”) from the proxy materials for its 2021 annual meeting of shareholders. A copy of the Proposal, which requests that the Company prepare a report to assess committing to eliminate sourcing from intact forests, and the cover letter to the Proposal are attached hereto as Exhibit A.

In accordance with Staff Legal Bulletin No. 14D (Nov. 7, 2008), we are emailing this letter to the Staff at [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov). We are simultaneously sending a copy of this letter and the exhibits thereto to the proponent as notice of the Company's intent to omit the Proposal from its 2021 proxy materials in accordance with Exchange Act Rule 14a-8(j). We take this opportunity to inform the proponent that a copy of any correspondence it submits to the Commission or the Staff with respect to the Proposal should be provided concurrently to the Company pursuant to Rule 14a-8(k) and Staff Legal Bulletin No. 14D.

## **THE PROPOSAL**

The Proposal states:

**“Resolved:** Shareholders request PG issue a report assessing the benefits and drawbacks of committing to eliminate sourcing from intact forests in its pulp and palm oil supply chains.”

The supporting statement accompanying the Proposal further opines that “indicators meaningful to shareholders may include [an] assessment of” the following:

- “Excluding sourcing from Intact Forest Landscapes, intact forest areas, and high carbon stock (HCS) forests;
- Suspending or excluding suppliers that are violating human rights, including the right of Indigenous Peoples and forest dependent communities to give or withhold Free, Prior and Informed Consent to development on their territories; and
- Developing non-compliance protocols, including evaluating supplier compliance at a corporate group level.”

## **BASES FOR EXCLUSION**

We request that the Staff concur in our view that the Proposal may be excluded from the Company's 2021 proxy materials pursuant to Rule 14a-8(i)(10), because the Company has already substantially implemented the proposal, and Rule 14a-8(i)(7), because the Proposal seeks to deal with a matter relating to the Company's ordinary business operations.

## **BACKGROUND — P&G'S FORESTRY PRACTICES AND PROGRAMS**

P&G is committed to the responsible sourcing of materials that it uses in its products, including wood pulp and palm oil. P&G does not manufacture wood pulp or palm oil, despite the claim to the contrary made in the opening whereas clause of the Proposal. The sourcing of wood pulp and palm oil are necessary to P&G's business because wood pulp and palm oil each are individual components required for the manufacture of certain P&G products. P&G sources wood pulp to manufacture and sell tissue, towel, and absorbent hygiene products. P&G sources palm oil to manufacture fabric, home, and personal care products. These products, such as diapers and toilet paper, are ultimately sold through several of P&G's business units, including Family Care, Baby Care, and Feminine Care. While wood pulp and palm oil are necessary components of these P&G products, the Company's overall footprint in the wood pulp and palm oil industries is relatively small. P&G currently uses less than 1% of the palm oil produced globally, less than 3% of the wood pulp produced in Canada, and only about 1% of the wood pulp used in the United States.

P&G has had multifaceted forestry-related policies and programs in place for many years, including with respect to wood pulp and palm oil, and has taken action over the last decade to increase the breadth and impact of these efforts. P&G is committed to transparency regarding these efforts and publishes a wide range of data and disclosures about its forestry practices on its ESG for Investors site.<sup>1</sup> In March of 2021, P&G published a comprehensive Forestry Practices Report that was based on a review conducted by P&G to identify opportunities to further increase the scale, pace, and rigor of its responsible sourcing efforts.<sup>2</sup> As part of this review, the Company updated both its Wood Pulp Sourcing Policy and its Palm Oil Sourcing Policy (both policies were further updated in June 2021).<sup>3</sup> P&G also recently completed and published a supplement to the Forestry Practices Report that further discusses P&G's wood pulp and palm oil footprint and several aspects of the Company's forestry sourcing practices.<sup>4</sup> The Company's Forestry Practices Report Supplement (the "Supplement") provides a detailed discussion of P&G's evaluation of whether a commitment to eliminate wood pulp and palm oil sourcing from intact forest landscapes would be prudent for the Company and its stakeholders. The Supplement also addresses additional aspects of the responsible sourcing of forestry materials, such as intact forest landscapes, intact forest areas, high carbon stock (HCS) and high conservation value (HCV) forests; free, prior, and informed consent (FPIC); and compliance monitoring. We refer to the Supplement, Forestry Practices Report, Wood Pulp Sourcing Policy, and Palm Oil Sourcing Policy collectively as the "Forestry Materials" (attached to this letter as Exhibits B, C, D, and E, respectively). These policies and reports are representative of P&G's efforts to responsibly source materials for its products.

P&G is committed to the responsible sourcing of wood pulp. P&G does not own or manage forests but endeavors to ensure that sound forest management practices are used in its wood pulp supply chain. As part of this effort, P&G reviews all wood pulp suppliers to ensure they are providing P&G with wood pulp that complies with P&G's Wood Pulp Sourcing Policy and forest certification requirements. P&G diligently pursues sourcing that protects forests and the communities that rely on them. P&G prohibits deforestation and forest degradation and aims to protect or conserve special sites, respect human and labor rights, and affirm the rights of Indigenous groups. In sum, all of P&G's wood pulp supply chain efforts include robust certification requirements, responsible sourcing efforts, sourcing transparency, and affirmative

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<sup>1</sup> The P&G ESG for Investors site is available at: <https://www.pginvestor.com/esg/esg-overview/default.aspx>.

<sup>2</sup> The Forestry Practices Report, which included P&G's Wood Pulp Sourcing Policy and Palm Oil Sourcing Policy as appendices, was furnished as an exhibit to a Form 8-K filed on March 29, 2021. The Report is also available at: [https://s1.q4cdn.com/695946674/files/doc\\_downloads/2021/03/ForestryPracticesReport\\_3-29-21.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/2021/03/ForestryPracticesReport_3-29-21.pdf).

<sup>3</sup> The updated Wood Pulp Sourcing Policy is available at: [https://s1.q4cdn.com/695946674/files/doc\\_downloads/esg/2021/Forestry/06/8958\\_P-G\\_WoodPulp\\_Policy\\_A-3.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/esg/2021/Forestry/06/8958_P-G_WoodPulp_Policy_A-3.pdf). The updated Palm Oil Sourcing Policy is available at: [https://s1.q4cdn.com/695946674/files/doc\\_downloads/esg/2021/Forestry/05/PG-ESG-FOREST-POSITIVE-PALM-SOURCING-POLICY-FINAL-rev-6-21.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/esg/2021/Forestry/05/PG-ESG-FOREST-POSITIVE-PALM-SOURCING-POLICY-FINAL-rev-6-21.pdf).

<sup>4</sup> The Forestry Practices Report Supplement is available at: [https://s1.q4cdn.com/695946674/files/doc\\_downloads/esg/2021/Forestry/06/8958\\_P-G\\_Forestry\\_Practices\\_Report\\_A-4.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/esg/2021/Forestry/06/8958_P-G_Forestry_Practices_Report_A-4.pdf).

conservation actions that are all designed to meet P&G's commitment to responsibly source wood pulp.

P&G is also committed to the responsible sourcing of palm oil, and these efforts are described in detail in the Company's Palm Oil Sourcing Policy. P&G's policies effectively prohibit sourcing from intact forests in the production of palm oil. P&G's approach to palm oil sourcing is based on three pillars: responsible sourcing, compliance monitoring, and stakeholder partnerships. P&G's responsible sourcing efforts include maintaining clear sourcing policies, transparent supplier expectations, and supply chain traceability. P&G's compliance monitoring efforts include providing a grievance reporting mechanism and implementing satellite monitoring of palm supplier operations. P&G is also committed to playing a positive role within the communities and environments in which it sources materials by partnering with various stakeholders to promote responsible palm agriculture and to aid biodiversity conservation efforts. We note that P&G's palm oil policies encompass all palm derived materials, namely palm oil, palm kernel oil, and derivatives of each. We refer to these materials, collectively, as palm oil.

Although the Proposal invokes the Company's palm oil supply chain in connection with the call to eliminating sourcing from intact forests, it conflates the palm oil and wood pulp supply chains and appears primarily concerned with wood pulp, not palm oil. Palm oil and wood pulp are inherently different materials with entirely distinct supply chains and end uses. Palm oil is derived from the fruit of oil palm plants that P&G's suppliers source from smallholder farmers and oil palm plantations. P&G's expectations regarding vendor compliance with leading certification frameworks, including the Roundtable on Sustainable Palm Oil (RSPO) standards, prohibit the clearance of intact forests to create land for palm oil cultivation, which P&G's policies also prohibit. The Proposal's association of intact forests with P&G's palm oil supply chain is therefore inconsistent with the Company's established policies and practices regarding the responsible sourcing of palm oil.

## ANALYSIS

### **I. The Proposal should be excluded under Rule 14a-8(i)(10) because the Company has already substantially implemented the Proposal.**

Rule 14a-8(i)(10) permits the exclusion of a shareholder proposal from a company's proxy materials if "the company has already substantially implemented the proposal." This provision recognizes that a company's existing policies or actions may render a shareholder proposal moot and therefore it is appropriate to exclude such a proposal. As the Commission stated of the predecessor rule to Rule 14a-8(i)(10), the purpose of the rule is "to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management" of a company. *Proposed Amendments to Rule 14a-8 Under the Securities Exchange Act of 1934 Relating to Proposals by Security Holders*, SEC Rel. No. 34-12598 (July 7, 1976). The current rule's emphasis on substantial implementation, as opposed to full or exact implementation, was designed to prevent the exclusion of a proposal "where the company has taken most but not all of the actions requested by the proposal." *Proposed Amendments to Rule 14a-8 Under the Securities Exchange Act of 1934 Relating to Proposals by*

*Security Holders*, SEC Rel. No. 34-19135 (Oct. 26, 1982). The Commission has stated that “substantially implemented” does not require the action requested by a proposal to be “fully effected” and the language of the rule was designed to prevent a “formalistic” application of this basis for exclusion. *Amendments to Rule 14a-8 Under the Securities Exchange Act of 1934 Relating to Proposals by Security Holders*, SEC Rel. No. 34-20091 (Aug. 23, 1983).

In light of these Commission statements regarding Rule 14a-8(i)(10)’s emphasis on substantial, not perfect implementation, the Staff has permitted the exclusion of proposals where a company’s actions satisfy the proposal’s essential objectives or where a company’s existing policies, practices, and procedures are similar in comparison to the proposal’s request. The Staff has stated that where a company’s actions address the proposal’s “essential objective,” the company has substantially implemented the proposal. *See e.g. Delta Air Lines, Inc.* (Mar. 12, 2018) (permitting exclusion under Rule 14a-8(i)(10) where the proposal asked the board to provide proxy access to shareholders and the board adopted a proxy access bylaw that addressed the proposal’s essential objective). The Staff has further held on numerous instances that a company has substantially implemented a proposal where its “policies, practices and procedures compare favorably with the guidelines of the proposal.” *See e.g. Visa Inc.* (Oct. 11, 2019) (permitting exclusion under Rule 14a-8(i)(10) where the proposal recommended that the compensation committee revise the company’s executive compensation philosophy to include social factors); *Dunkin’ Brands Group, Inc.* (Mar. 6, 2019) (permitting exclusion under Rule 14a-8(i)(10) where the proposal requested that the board issue a report assessing the feasibility of integrating sustainability metrics into the performance quotas of senior executive compensation plans); and *Verizon Communications Inc.* (Feb. 19, 2018) (permitting exclusion under Rule 14a-8(i)(10) where the proposal recommended the establishment of a public policy and social responsibility committee). Each of the companies in *Visa*, *Dunkin’ Brands* and *Verizon* had policies, practices and procedures that compared favorably with the proposals at issue.

When determining which company documents or disclosures substantially implement a proposal, the Staff has long held that multiple company policies, reports and other disclosures can collectively act to substantially implement a proposal. In *Apple Inc.* (“SumOfUs”) (Dec. 17, 2020) the Staff permitted the exclusion of a proposal under Rule 14a-8(i)(10) where the company cited to 11 distinct reports, policy documents and webpages to show that it substantially implemented a proposal that requested a report on the company’s management systems and processes for implementing its human rights policy commitments. *See also The Gap, Inc.* (Mar. 16, 2001) (proposal requesting a report on the child labor practices of the company’s suppliers was excludable under Rule 14a-8(i)(10) where the company cited to a vendor code of conduct, website information, and the existence of several monitoring programs).

**A. The Proposal should be excluded under Rule 14a-8(i)(10) because the Company’s Forestry Materials already substantially implement the Proposal.**

*The Forestry Materials Directly Address and Implement the Proposal*



P&G's Forestry Materials address the request of the Proposal to such a degree as to clearly and substantially implement the Proposal. Not only do the Supplement and Forestry Practices Report encompass the essential objective of the proposal, a report on P&G's forestry practices in relation to sourcing from intact forests, but the Supplement in particular is directly responsive to the Proposal's specific requests. The Forestry Materials, including the Supplement and the Forestry Practices Report, substantially implement the Proposal such that the Proposal should be excludable under Rule 14a-8(i)(10).

The Proposal requests that P&G "issue a report assessing the benefits and drawbacks of committing to eliminate sourcing from intact forests in its pulp and palm oil supply chains." In response to receiving this Proposal, and in keeping with the Company's goal of transparency regarding its forestry practices, P&G undertook an evaluation of whether a commitment to eliminate wood pulp and palm oil sourcing from intact forest landscapes would be prudent for P&G and its stakeholders. The Supplement describes and reports on this evaluation and provides further elaboration on P&G's forestry practices (as published in the Forestry Materials). The Supplement directly assesses the elimination of sourcing from intact forests in both the palm oil and wood pulp supply chains. Regarding palm oil, the Supplement states that based on P&G's "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 [intact forest landscapes]) in our palm oil supply chain, remains appropriate and in both the Company's and its many stakeholders' best interests." Regarding wood pulp, the Supplement states the following:

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.

The wood pulp and palm oil assessment and report presented in the Supplement is directly responsive to the Proposal's request. The Supplement reports on, as requested by the Proposal, an evaluation of the benefits and drawbacks of committing to eliminating intact forest sourcing in the wood pulp and palm oil supply chains. Along with the additional detail provided in the other Forestry Materials, as described above, the Supplement directly addresses the call of the Proposal to such a degree as to substantially implement the Proposal.

The Supplement also directly addresses the points raised by the proponent in the Proposal's supporting statement. While "defer[ring] to management's discretion", the supporting statement includes a bulleted list of "indicators meaningful to shareholders" that the proponent suggests be a part of the report requested by the Proposal. These indicators are:

- Excluding sourcing from Intact Forest Landscapes, intact forest areas, and high carbon stock (HCS) forests;
- Suspending or excluding suppliers that are violating human rights, including the right of Indigenous Peoples and forest dependent communities to give or withhold Free, Prior and Informed Consent to development on their territories; and
- Developing non-compliance protocols, including evaluating supplier compliance at a corporate group level.

The Supplement is divided into three sections that correspond with the bulleted indicators outlined in the Proposal's supporting statement (the three sections are entitled: Intact Forest Landscapes, Intact Forest Areas, High Conservation Value (HCV), and High Carbon Stock (HCS) Forests; and Free, Prior, and Informed Consent (FPIC); and Compliance Monitoring and Action). Each of these issues is addressed in the context of both the Company's palm oil and wood pulp supply chains.

P&G's evaluation of the benefits and drawbacks of whether a commitment to eliminate wood pulp and palm oil sourcing from intact forests landscapes would be prudent for the Company and its stakeholders, as described in the Supplement, in conjunction with the detail provided in the other Forestry Materials, all clearly show that P&G has substantially implemented the Proposal, thus warranting exclusion under Rule 14a-8(i)(10).

*Exclusion Under Rule 14a-8(i)(10) Would be Consistent with Staff No-Action Letter Decisions*

The Staff has long maintained that proposals concerning components of company products or a company's supply chain may be excluded under Rule 14a-8(i)(10) where a company has existing policies, practices, and procedures in place that encompass the proposal's request. See *The Coca-Cola Company* (Jan. 25, 2012, recon. denied Feb. 29, 2012) (proposal requesting a report on alternatives to the chemical BPA in can linings and any material risks to the company's market share or reputation by continuing to use BPA was excludable under Rule 14a-8(i)(10) where the company's "Bisphenol A (BPA) Assessment" report and website information already disclosed information about the use of BPA in aluminum can liners and the company's efforts to ensure the safety and quality of its products and packaging); *Kohl's Corporation* (Jan. 16, 2020) (proposal requesting that the board report on the company's process for identifying and analyzing potential and actual human rights risks in the company's supply chain operations was excludable under Rule 14a-8(i)(10) where the company's Code of Ethics, Conflict Minerals Policy, Policy on Uzbekistan Cotton and other policies and initiatives already substantially implemented the proposal); *The Wendy's Company* (Apr. 10, 2019) (a similar proposal was excludable under Rule 14a-8(i)(10) where the company's Code of Conduct for Suppliers and other disclosures already substantially implemented the proposal); and *Mondelez International, Inc.* (Mar. 7, 2014) (a similar proposal was excludable under Rule 14a-8(i)(10) where the company's Supplier Expectations and Supply Chain Transparency and Labor Practices report, enterprise risk management program and other disclosures already substantially implemented the proposal). As in *Coca-Cola*, where the proposal requested a report on a component of a company product and the company already had a dedicated report on the component, so too does the Proposal request a report on specific components of

Company products, intact forest-sourced wood pulp and palm oil, where the Company has provided a report on this topic via the Supplement. The Proposal's emphasis on aspects of the supply chains for wood pulp and palm oil where the Forestry Materials all comprehensively address a range of supply chain policies, mimics the supply chain proposals and policies described in *Kohl's*, *Wendy's*, and *Mondelez*. The Proposal should be excludable under Rule 14a-8(i)(10) following this Staff no-action guidance.

P&G's forestry practices, policies, and reports encompass the essential objective of and compare favorably to the Proposal, which alone would satisfy the Staff's guidance on substantial implementation, but the publication of the Supplement also shows that the Company has substantially implemented the Proposal because the Supplement report is precisely the kind of report called for by the Proposal. The Staff has previously permitted the exclusion of proposals that not only address the essential objective of the proposal, but are clearly and directly responsive to the language of the proposal. *See Chevron Corporation* (Mar. 21, 2016) (proposal requesting a report consistent with the U.S. State Department's Reporting Requirements on Responsible Investment in Burma was excludable under Rule 14a-8(i)(10) where the company represented it would make available a report to be delivered to the U.S. State Department that was responsive to the same Reporting Requirements on Responsible Investment in Burma). Similarly, in *Apple Inc.* (Dec. 12, 2017) the proposal requested that the company produce a report assessing the climate benefits and feasibility of adopting store-wide requirements for having all retail locations implement a policy to keep entrance doors closed when climate control is in use. The company noted that its "Store Environment Policy" required that all customer entrances in the company's retail locations that opened directly to the outside remain closed at all times and further noted that because the requested policy already existed, that policy not only compared favorably with the proposal, but directly implemented the proposal. The Staff permitted exclusion under rule 14a-8(i)(10) as the company's policies, practices and procedures compared favorably with the guidelines of the proposal and therefore substantially implemented the proposal. The Proposal is similar to the proposals in *Chevron* and *Apple* as the Supplement directly implements the parameters of the report called for by the Proposal: the Proposal requests a report assessing the benefits and drawbacks of P&G committing to eliminate sourcing from intact forests in its pulp and palm oil supply chains, and the Supplement is a report on P&G's evaluation of whether a commitment to eliminate wood pulp and palm oil sourcing from intact forest landscapes would be prudent for it and its stakeholders. As the Supplement is directly responsive to the Proposal, the Proposal should be excludable under Rule 14a-8(i)(10) as it has been substantially implemented.

The Staff has also permitted the exclusion of proposals under Rule 14a-8(i)(10) where a company has taken action to supplement existing policies, practices, and procedures in response to a request made in a shareholder proposal. This position by the Staff acknowledges good faith efforts to further refine existing policies that themselves may already substantially implement the call of the proposal. *See PPG Industries, Inc.* (Jan. 19, 2004) (proposal requesting a policy statement publicly committing to use *in vitro* tests and generally committing to the elimination of product testing on animals in favor of *in vitro* alternatives was excludable under Rule 14a-8(i)(10) where, after receiving the shareholder proposal, the company revised its internal animal welfare policy to specifically identify *in vitro* testing as a possible alternative to be considered in connection with evaluating alternatives for the types of tests specified by the proponent).

In *General Electric Company* (Dec. 24, 2009) the Staff permitted the exclusion of a proposal that requested the reevaluation of the company's policy of designing and selling nuclear reactors for the production of electrical power and the preparation of a report on the same. Following its receipt of the proposal, the company reevaluated its participation in designing and supplying nuclear reactors for the production of electrical power and produced a report containing the results of its reevaluation. The Staff allowed the company to exclude the proposal under Rule 14a-8(i)(10), noting that the reevaluation report had been posted to the company's website.

Similarly, in *The TJX Companies, Inc.* (Apr. 9, 2019), the Staff permitted the exclusion of a proposal where the company further enhanced an existing policy that was responsive to the shareholder proposal at issue. The *TJX* proposal requested that the company amend its Vendor Code of Conduct to establish a consistent policy on the prevention of cruelty to animals in its supply chain. The company's existing code already required vendors to comply with all applicable laws and regulations, including those related to animal welfare or the prevention of cruelty to animals. Subsequent to submitting a no-action request, the company amended the code to explicitly include animal protection laws among the laws with which the company's vendors were required to comply with. The Staff permitted the company to exclude the proposal under Rule 14a-8(i)(10) and noted that "the amended Vendor Code of Conduct" and the company's policies, practices and procedures compared favorably with the guidelines of the proposal. As in *TJX* as well as *GE*, P&G has enhanced its existing disclosures in response to the request for additional information on the Company's forestry practices as outlined in the Proposal. These enhancements, included within the Supplement, are wholly consistent with the Company's other Forestry Materials and, as was the case in *TJX* and *GE*, further emphasize the degree to which the Company has undertaken to assess and report on the very matters raised by the Proposal.

**II. The Proposal should be excluded under Rule 14a-8(i)(7) because it seeks to deal with a matter relating to the Company's ordinary business operations.**

Rule 14a-8(i)(7) permits the exclusion of a shareholder proposal from a company's proxy materials if the proposal "deals with a matter relating to the company's ordinary business operations." The Commission has stated that the purpose of the ordinary business exception is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." *Amendments to Rules on Shareholder Proposals*, SEC Rel. No. 34-40018 (May 21, 1998). The Commission has further stated that the policy underlying this exclusion rests on two "central considerations," specifically whether the proposal (i) concerns tasks that are "so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight" and (ii) "seeks to 'micromanage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.*

**A. The Proposal should be excluded under Rule 14a-8(i)(7) because it seeks to micromanage the Company.**

*Micromanagement Overview*

The Commission and Staff have long held that a proposal that seeks to micromanage a company is excludable under Rule 14a-8(i)(7). The Commission has stated that the exclusion of a proposal under Rule 14a-8(i)(7) on the grounds that the proposal micromanages a company “may come into play in a number of circumstances, such as where the proposal involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies.” *Id.* The Commission further stated that the micromanagement consideration stands for “the general proposition that some proposals may intrude unduly on a company’s ‘ordinary business’ operations by virtue of the level of detail that they seek.” *Id.*

The Staff has subsequently provided additional guidance on the scope and meaning of micromanagement under Rule 14a-8(i)(7). As noted in Staff Legal Bulletin No. 14K (Oct. 16, 2019) (“SLB 14K”), the Staff looks “to whether the proposal seeks intricate detail or imposes a specific strategy, method, action, outcome or timeline for addressing an issue, thereby supplanting the judgment of management and the board.” The Staff further explained that “if the method or strategy for implementing the action requested by the proposal is overly prescriptive, thereby potentially limiting the judgment and discretion of the board and management, the proposal may be viewed as micromanaging the company.”<sup>5</sup>

*The Proposal Micromanages P&G’s Forestry Policies and Programs By Imposing Specific Methods for Implementing Complex Policies*

The Proposal micromanages the Company and its forestry policies and programs by imposing specific methods for implementing complex policies, seeks intricate detail, and supplants and limits the judgement of management and the board of directors. The Proposal requests that P&G assess the benefits and drawbacks of “committing to eliminate sourcing from intact forests in its pulp and palm oil supply chains.” The Proposal is primarily concerned with the Company’s forestry practices, their relation to intact forests, and the sourcing of wood pulp, largely a byproduct of timber processing, from intact forests. Although industry groups and certain stakeholders have created working definitions, there is no definition of what constitutes an intact forest that is accepted across all stakeholders, and the proponent has not identified any such definition. P&G believes that intact forests generally refers to significant, unbroken forest areas minimally impacted by human activity. The Proposal’s supporting statement further states

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<sup>5</sup> The micromanagement analysis rests on an evaluation of the manner in which a proposal seeks to address the subject matter raised and the analysis under Rule 14a-8(i)(7) is independent of whether the proposal is cast as precatory or calls for a report. The Staff noted in SLB 14K that “the precatory nature of a proposal does not bear on the degree to which a proposal micromanages” and exclusion under Rule 14a-8(i)(7) may be appropriate regardless of the precatory nature of the proposal in question. The Staff also noted in Staff Legal Bulletin No. 14J (Oct. 23, 2018) (“SLB 14J”) that the analytical “framework also applies to proposals that call for a study or report” and the Staff will “consider the underlying substance of the matters addressed by the study or report.” The Staff further stated in SLB 14J that a proposal calling for a report may be excludable if the substance of the report relates to the imposition or assumption of specific methods for implementing complex policies.

that P&G should assess “[e]xcluding sourcing from Intact Forest Landscapes, intact forest areas, and high carbon stock (HCS) forests.” Intact Forest Landscapes and intact forest areas also are terms without universally accepted definitions, and the Proposal’s requirement that P&G interpret the meaning of these terms (presumably in a manner acceptable to the proponent) adds to the complexity of the Proposal. Accordingly, the Proposal probes too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment and seeks to micromanage the Company to such a degree that exclusion of the Proposal is appropriate under Rule 14a-8(i) (7).

The Proposal’s request that P&G assess “committing to eliminate sourcing from intact forests in its pulp and palm oil supply chains” micromanages the Company by imposing a specific method (eliminating wood pulp sourced from intact forests) for implementing the complex policy concerning the responsible sourcing of materials for the Company’s consumer products. The Proposal would impose the specific method of eliminating wood pulp sourced from intact forests on the Company’s forestry policies, which are designed to effectuate the responsible sourcing of wood pulp through robust certification requirements, sourcing transparency, and affirmative conservation actions.

The Proposal probes deeply into the ordinary business operations that relate to P&G’s manufacture of consumer products. The materials P&G uses to create its consumer products, such as wood pulp, are sourced by P&G from various suppliers. Wood pulp is created through the harvesting of mature trees largely for other purposes, such as lumber, from publicly and privately-owned forests. The forest typically is managed by a person who is distinct from the landowner and further distinct from the company harvesting or even milling the trees. Byproducts from lumber production and other timber are sold to a pulp company, and P&G buys pulp from this company. The lumber industry is the main purchaser of wood products from these forests, and P&G is a relatively small stakeholder in the countries in which it sources pulp. The differing stakeholders in the pulp supply chain further compound its complexity. Additionally, the land from which wood pulp originates contains various species of trees and is located in various countries, topographies, and natural environments. The Proposal would require the Company to assess whether each pertinent P&G product was manufactured using wood pulp from a tree, in an intact forest, that was harvested, processed, and sold to P&G. This level of specificity is precisely the kind of complex action upon which shareholders are not in a position to make an informed judgment. The Proposal probes impermissibly into P&G’s ordinary business operations and the logistical and organizational management of its supply chain. As noted above, P&G’s responsible sourcing policies are robust yet complex because they mirror the intricacies of P&G’s global supply chains for wood pulp and palm oil. The assessment of eliminating sourcing from intact forests in P&G’s wood pulp and palm oil supply chains would impose a specific method for implementing this complex supply chain policy and therefore, micromanage the Company.

We also note that the Proposal would dictate the specific composition of wood pulp that P&G sources from its suppliers. The Proposal would not require P&G to eliminate its sourcing of wood pulp, but effectively mandates that P&G not source wood pulp made from trees that may have come from an intact forest. Determining the specific composition of wood pulp is an important component of P&G’s production decisions, as different tree fibers are used for distinct

purposes, provide unique performance benefits for consumers, and are even a source of competitive advantage for the Company. Conceivably, the Proposal would require that P&G not source some wood pulp that is the same as or similar to other wood pulp because the Proposal creates an artificial sub-classification of wood pulp based on a forest classification factor that is not accepted as an absolute exclusion in industry standards or in responsible sourcing classifications. Indeed, intact forest landscapes is but one of several hundred considerations used by the Forest Stewardship Council (FSC) to determine whether wood has been responsibly sourced. In essence, the Proposal would dictate which compositions of wood pulp are acceptable for use by P&G.

*The Proposal Micromanages P&G's Forestry Policies and Programs By Seeking Intricate Detail*

The Proposal also seeks an intricate level of detail so as to micromanage the Company. The Proposal is concerned with the Company's forestry practices and the responsible sourcing of materials but identifies a hyper-specific issue, intact forests, which typically make up less than 1% of P&G's wood pulp sourcing, and requires the Company to analyze its larger concerns through this narrow lens. The Proposal's call to eliminate sourcing from intact forests in P&G's pulp and palm oil supply chains is not only confined to intact forests. The Proposal requests the elimination of sourcing from Intact Forest Landscapes, intact forest areas, and high carbon stock forests. The Proposal further calls for suspending or excluding suppliers from P&G's supply chains in certain circumstances and requests that the Company develop certain non-compliance protocols. As noted above, the Company's wood pulp and palm oil supply chains and P&G's responsible sourcing efforts are complex, multifaceted matters that endeavor to strike a reasonable balance between a variety of stakeholders. The supporting statement notes that the proponent "defer[s] to management's discretion" regarding these "indicators" but the introductory whereas clauses suggest that the bulleted indicators in the supporting statement are actions that the Proposal expects P&G to take into consideration. The Proposal's request for elaborate information regarding multiple different and specific types of forests from which wood pulp sourcing would be eliminated and the various other stipulations laid out in the supporting statement all act to micromanage the Company by requesting an assessment on a wide range of specifically enumerated factors.

*The Proposal Micromanages P&G's Forestry Policies and Programs By Supplanting and Limiting the Judgement of Management*

The Proposal further micromanages the Company's forestry practices and responsible sourcing policies by substituting the proponent's own goals in place of the Company's current goal of ensuring the responsible management of the world's forests and conscientious use of forest products. The language of the Proposal itself indicates a clear intention to micromanage the Company's existing forestry policies and programs: the Proposal states that "PG's commitments fall short," refers to "PG's newest forest policies" and states that P&G's current policies and programs position P&G "behind peers." The Proposal further implies that the purpose of the Proposal is to cause the Company to "adopt and implement policies" that are different from P&G's current policies. P&G's existing forestry and responsible sourcing policies and programs have been carefully developed and calibrated to responsibly meet the Company's

goals. The Proposal would impose specific and granular methods for implementing the Company's global-reaching forestry practices and programs in substitution of the Company's own methods. The specific cast of the Proposal leaves no discretion to management in the application of the Proposal. The Proposal therefore supplants and limits the judgement of management to such a degree as to micromanage the Company.

P&G's forestry policies and programs for responsibly sourcing materials are public commitments by the Company. As noted above, the Company published a comprehensive Forestry Practices Report in March of 2021 that was based on a review conducted by P&G to identify opportunities to increase the scale, pace, and rigor of P&G's forestry efforts. This report, in conjunction with P&G's other Forestry Materials, outlines management's strategy for responsibly sourcing materials in P&G's supply chain as well as the Company's overall forestry practices. The report notes the multiple criteria P&G uses for sustainable forest management, including:

- Ensuring no deforestation;
- Replanting and reforestation after harvesting;
- Preserving water, soil and air;
- Protecting biodiversity;
- Respecting the right of Indigenous peoples; and
- Protecting endangered species.

The Proposal would seek to supplant P&G's comprehensive approach to forestry issues with the proponent's nearly singular focus on intact forests, impermissibly micromanaging the Company.

Additionally, P&G has specific policies, initiatives, and goals in place to address responsible sourcing and sound forestry practices that would be disrupted by the Proposal's call for a specific strategy focused solely on intact forests. For example, the Company is committed to working directly with supply chain partners and NGOs to grow the supply of FSC-certified wood pulp in order to overcome the low supply of FSC-certified materials currently available. FSC is one of the world's most trusted forest certifications and sourcing FSC certified wood pulp is an important element of P&G's forestry practices. P&G has set specific FSC certification targets for its P&G Family Care (paper) business:

- sourcing 75% FSC-certified wood pulp before 2022;
- sourcing 95% FSC-certified wood pulp from Ontario and Quebec, areas of focus for caribou protection, by 2022; and
- pursuing 100% FSC-certified wood pulp sourcing by 2030.

P&G also requires its wood pulp suppliers to be certified by third party certification systems, including the FSC, Sustainable Forestry Initiative, and Programme for the Endorsement of Forest Certification. These three forest certification systems, used by 100% of P&G's wood pulp suppliers, require that suppliers adhere to the multiple criteria for sound forest management, as noted above.



P&G's broad forestry practices and programs for responsible wood pulp sourcing would be impermissibly micromanaged by the call to eliminate sourcing only from intact and other specified types of forests. Sourcing from intact forests is just one of the larger set of forest management issues that are considered by both P&G and the leading certification frameworks. Requiring the elimination of sourcing from intact forests at the expense of P&G's other forestry initiatives would involve a complex reassessment of supply locations, land management certifications and chain of custody certifications in the land, harvesting and pulp mill supply chains. Such a reassessment, and the implementation of a commitment to eliminate sourcing from intact forests, would directly affect P&G's tiered FSC-certified wood pulp goals as well as the multiple criteria (noted above) that P&G requires its suppliers adhere to. The acquisition of wood pulp from new or existing sources would impact management's existing responsible sourcing goals and timeline and would act to limit the judgment and discretion of management in such a way as to micromanage the Company.

*Exclusion Under Rule 14a-8(i)(7) Due to Micromanagement Would be Consistent with Recent Staff No-Action Letter Decisions*

The Staff has previously found that a proposal micromanages a company, and is therefore excludable under Rule 14a-8(i)(7), where it imposes specific methods for implementing complex policies, seeks intricate detail or limits the flexibility and discretion of management and the board of directors. *See Johnson & Johnson* ("JLens") (Feb. 12, 2020) (proposal concerning awards granted under an annual cash incentive program was found to have micromanaged the company by imposing specific methods for implementing complex policies); *Johnson & Johnson* ("Vermont Pension Investment Committee") (Feb. 12, 2020) (proposal requesting justifications when financial performance measures are adjusted to exclude legal or compliance cost was found to have micromanaged the company by seeking intricate detail); and *Exxon Mobil Corporation* (Mar. 6, 2020) (proposal requesting the formation of a new board committee on climate risk was found to have micromanaged the company by limiting the board's flexibility and discretion).

The Staff has further indicated that proposals relating to company products and the materials within those products can also micromanage a company and are excludable under Rule 14a-8(i)(7). In *RH* (May 11, 2018) the Staff held that a proposal encouraging the company "to enact a policy that will ensure that no down products are sold" micromanaged the company by seeking to impose specific methods for implementing complex policies and was excludable under Rule 14a-8(i)(7). The Staff similarly held in *Amazon.com, Inc.* ("Oxfam America") (Apr. 3, 2019) that a proposal that urged the company to "commit to conducting and making available to shareholders human rights impact assessments for at least three food products the [c]ompany sells that present a high risk of adverse human rights impacts" micromanaged the company by seeking to impose specific methods for implementing complex policies in place of the ongoing judgments of management.

The *RH* proposal concerned down feathers used in certain Restoration Hardware products and sought the enactment of a policy to ensure that no down products were sold by the company. The *RH* proposal discussed the company's use of "down-alternatives" and suggested that the "transition" and "phasing out" of down products would be feasible given that the

company already used down-alternatives inside some of its products. Just as the *RH* proposal was focused on eliminating down materials from being included in products sold by Restoration Hardware, so too does the Proposal focus on eliminating intact forest-sourced wood pulp from products sold by P&G. Both the *RH* proposal and the Proposal refer to proponent-acceptable materials used within company products (down-alternatives and non-intact forest-sourced wood pulp, respectively) and both proposals supplant management's decisions regarding the composition of company products for the proponents' specific preferences. The Staff determined that the *RH* proposal micromanaged the company by seeking to impose specific methods (eliminating certain materials used in company products) for implementing complex policies (determining what ingredients to include within the materials used to fashion certain company products). The Proposal is analogous to the *RH* proposal and accordingly, micromanages P&G to such a degree as to be excludable under Rule 14a-8(i)(7).

The *Amazon* proposal requested that the company commit to assessing human rights impacts "for at least three food products Amazon sells that present a high risk of adverse human rights impacts." The *Amazon* proposal also stated that the assessments "should specify the standards used, identify and assess actual and potential adverse impacts associated with the product and describe how the findings will be integrated in order to prevent and/or remedy impacts." The supporting statement, in addition to referencing palm oil, made clear that the proposal was concerned with Amazon's supply chain and expected that the human rights assessments would cover certain "product types across suppliers." Not only did the *Amazon* proposal seek to impose specific methods for implementing complex policies, but its focus on human rights considerations in the company's supply chain was aimed at supplanting the judgement of management. Amazon noted that on it had already "undertaken numerous initiatives to address this issue in ways that the [c]ompany believes are best for its customers, its business, people involved in the supply chain, and the planet." The *Amazon* proposal's call for a detailed analysis of the human rights impacts of three products, when the company had already developed initiatives to address the wider issue implicated by the proposal, mirrors the Proposal's call for a detailed analysis of eliminating sourcing from intact forests when the Company has already developed initiatives to address the wider issues implicated by the proposal, including the responsible sourcing of materials, the elimination of deforestation, and the degradation of intact forests. Both proposals impose specific methods for implementing complex policies in place of the ongoing judgments of management. As with the *Amazon* proposal, the Proposal micromanages the Company and is therefore, excludable under Rule 14a-8(i)(7).

**B. The Proposal should be excluded under Rule 14a-8(i)(7) because it concerns P&G's ordinary business operations, including P&G's product development, the offer of products for sale, and P&G's relationships with suppliers.**

Independent of the micromanagement consideration of Rule 14a-8(i)(7), the rule also permits the exclusion of a shareholder proposal from a company's proxy materials if the proposal deals with a matter relating to the company's ordinary business operations. Exclusion is appropriate where a proposal's subject matter concerns tasks that are "so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight."

The Proposal is concerned with P&G's product development and the Staff has previously held that "[p]roposals concerning product development are generally excludable under [R]ule 14a-8(i)(7)." See *DENTSPLY Int'l. Inc.* (Mar. 21, 2013) (proposal requesting a report summarizing the company's policies and plans for phasing out mercury from company products was excludable under Rule 14a-8(i)(7) as relating to product development). Where a proposal seeks to remove or eliminate a component or material included within a company's product, the Staff has frequently held that the proposal is excludable under Rule 14a-8(i)(7) as it relates to the ordinary business concept of product development. See *Mondelez International, Inc.* (Feb. 23, 2016) (proposal requesting the elimination of nanomaterials from company products was excludable under Rule 14a-8(i)(7) as relating to product development); *Ball Corp.* (Feb. 4, 2016) (proposal requesting that the company phase out the use of BPA from its products was excludable under Rule 14a-8(i)(7) as relating to product development); and *PPG Industries, Inc.* (Feb. 26, 2015) (a proposal requesting the elimination of the use of lead in paint and coatings in company products was excludable under Rule 14a-8(i)(7) as relating to product development).

The Proposal is clearly concerned with product development matters because it requests that the Company eliminate specific materials, namely intact forest-sourced wood pulp and palm oil, from its supply chains. Wood pulp and palm oil are necessary to manufacture a range of Company products. The Proposal compares favorably to the proposals that the Staff allowed to be excluded in *DENTSPLY*, *Mondelez*, *Ball* and *PPG* as each of these proposals also concerned the elimination of a specific material used in the production of a company product. For example, the proposal in *Mondelez* noted that "Mondelez Dentyne Ice gum has been found in independent laboratory testing to contain nanoparticles of titanium dioxide, a metal oxide used to whiten foods" and requested that the company eliminate the use of these nanoparticles (nanomaterials). The *Mondelez* proposal identified a product component and the proposal prompted the company to eliminate that component. Similarly, the Proposal identifies intact forest-sourced wood pulp and calls for an assessment of eliminating that component.

In addition to proposals that concern product development, the Staff has long permitted the exclusion of proposals that concern a company's products and services. The Staff has stated that "[p]roposals concerning the sale of particular products are generally excludable under [R]ule 14a-8(i)(7)" and has permitted the exclusion of proposals where a company is asked to phase out or eliminate a product. See *Dillard's, Inc.* (Feb. 27, 2012) (a proposal that requested the company phase out the sale of fur from raccoon dogs was excludable under Rule 14a-8(i)(7) as relating to the products offered for sale by the company). The Staff has also permitted the exclusion of proposals that relate to a company's products and services but are not limited in scope to specific products. See *Amazon.com, Inc.* (Mar. 17, 2016) (a proposal that concerned recycling, pollution and public health problems from waste generated as a result of the sale of electronics to customers was excludable under Rule 14a-8(i)(7) as relating to the company's products and services); *Wal-Mart Stores, Inc.* ("Porter") (Mar. 26, 2010) (a proposal urging the company to adopt a policy requiring that all products and services offered for sale in U.S. stores be manufactured or produced in the U.S. was excludable under Rule 14a-8(i)(7) as relating to the products and services offered for sale by the company); and *Wal-Mart Stores, Inc.* ("Green Century") (Mar. 24, 2006) (a proposal that called for minimizing customer exposure to a list of toxic substances in company products was excludable under Rule 14a-8(i)(7) as relating to the

sale of particular products). Although the text of the Proposal is concerned with the Company's wood pulp and palm oil supply chains, it necessarily concerns P&G's products, which are manufactured using this sourced wood pulp and palm oil. As in *Wal-Mart (2010)*, the Proposal imposes a condition upon products sold by P&G, and accordingly, concerns the Company's products. This directly relates to the Company's ordinary business operations, and therefore the Proposal should be excluded under Rule 14a-8(i)(7).

The Proposal also implicates P&G's supplier relationships, which the Staff has previously held to be ordinary business operations. See *Foot Locker, Inc.* (Mar. 3, 2017) (a proposal concerning the company's monitoring of the use of subcontractors by the company's overseas apparel suppliers was excludable under Rule 14a-8(i)(7) as "the proposal relates broadly to the manner in which the company monitors the conduct of its suppliers and their subcontractors"). In addition, the Staff recently permitted the exclusion of proposals that sought an assessment of a specific aspect of companies' supply chains. See *The Home Depot, Inc.* (Mar. 20, 2020) (permitting exclusion under Rule 14a-8(i)(7) for a proposal that called for a report on the extent of known usage of prison labor in the company's supply chain); and *The TJX Companies, Inc.* (Mar. 20, 2020) (permitting exclusion under Rule 14a-8(i)(7) for a proposal that called for a report assessing the effectiveness of current company policies for preventing prison labor in the company's supply chain). The Proposal includes numerous references to P&G's relationships with and evaluation of its suppliers. Indeed, the supporting statement specifically states that P&G's supply chain sourcing assessment should include "evaluating supplier compliance at a corporate group level." As P&G does not manufacture wood pulp or palm oil, and the resolved clause of the Proposal specifically relates to "sourcing" in the Company's supply chains, it is clear that the Proposal relates to the Company's supplier relationships and is therefore excludable under Rule 14a-8(i)(7).

Finally, we note that the proposal does not focus on a significant social policy issue. Despite the proponent's invocation of human rights and free, prior, and informed consent, the central purpose and concern of the proposal is the assessment of eliminating palm oil and wood pulp sourcing from intact forests.<sup>6</sup> We also note that the Staff has permitted the exclusion of proposals under Rule 14a-8(i)(7) even where significant social policy issues have been raised in the body of a proposal. See *The TJX Companies, Inc.* (Apr. 9, 2021) (a proposal seeking information about the company's monitoring of supplier compliance with the Company's policy that prohibited prison labor was excludable under Rule 14a-8(i)(7) because the proposal "[did] not transcend the [c]ompany's ordinary business operations"); and *Dollar General Corporation* (Mar. 6, 2020) (a proposal concerning the use of contractual provisions requiring company employees to arbitrate employment-related claims was excludable under Rule 14a-8(i)(7) as the proposal "[did] not transcend the [c]ompany's ordinary business operations"). The Staff made

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<sup>6</sup> P&G's Supplement and Wood Pulp Sourcing Policy outline P&G's clear and unambiguous support of FPIC. As stated in both the Supplement and the Wood Pulp Sourcing Policy, "P&G respects the 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 Supplement and Wood Pulp Sourcing Policy also outline P&G's expectations for its suppliers regarding FPIC: FPIC processes should be done in a culturally appropriate manner and follow credible methodologies such as the Guidelines on Free, Prior and Informed Consent of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and forest Degradation (UN-REDD) and the Free, Prior and Informed Consent Manual of the Food and Agriculture Organization of the United Nations (FAO).

clear in its *Dollar General* decision letter that secondary references to significant social policy issues will not automatically immunize a proposal from exclusion under the ordinary business exception. The Staff stated that “notwithstanding some references in the supporting statement to potentially important social issues, the [p]roposal as a whole deals with a matter relating to the [c]ompany’s ordinary business operations.” The focus and central purpose of the Proposal is to have the company assess the elimination of wood pulp sourcing from intact forests in its supply chains, which directly implicates ordinary business matters such as product development and supplier oversight. The Proposal does not focus on a significant social policy issue and therefore should be excluded under Rule 14a-8(i)(7).

### CONCLUSION

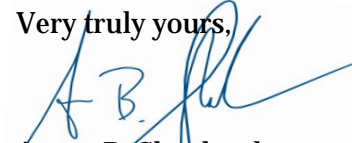
Based on the foregoing analysis, we respectfully request that the Staff concur that P&G may exclude the Proposal and supporting statements from its 2021 proxy materials under Rules 14a-8(i)(10) and 14a-8(i)(7).

\* \* \* \* \*

P&G anticipates that the 2021 proxy materials will be finalized for distribution on or about August 27, 2021. Accordingly, P&G would appreciate receiving the Staff’s response to this no-action request by July 27, 2021.

If the Staff disagrees with P&G’s view that it can omit the Proposal, we request the opportunity to confer with the Staff prior to the final determination of the Staff’s position. If the Staff has any questions regarding this request or requires additional information, please contact me at (513) 983-1100.

Very truly yours,



Aaron B. Shepherd  
Director & Assistant General  
Counsel

cc: Annalisa Tarizzo  
The Green Century Funds

**Exhibit A**



April 29, 2021

Deborah Majoras  
The Procter & Gamble Company  
One Procter & Gamble Plaza  
Cincinnati, OH 45202-3315

Dear Ms. Majoras,

The Green Century Equity Fund hereby submits the enclosed shareholder proposal with The Procter and Gamble Company (PG) for inclusion in the company's 2021 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934 (17 C.F.R. § 240.14a-8).

Per Rule 14a-8, the Green Century Equity Fund is the beneficial owner of at least \$2,000 worth of Procter and Gamble's stock. We have held the requisite number of shares for over one year, and we will continue to hold sufficient shares in the company through the date of the annual shareholders' meeting. Verification of ownership from a DTC participating bank is forthcoming.

Due to the importance of the issue and our need to protect our rights as shareholders, we are filing the enclosed proposal for inclusion in the proxy statement for a vote at the next shareholders' meeting.

We look forward to continuing our discussion of the subject of the enclosed proposal with company representatives. Please direct all correspondence to Annalisa Tarizzo, Shareholder Advocate at Green Century Capital Management. She may be reached via email at [atarizzo@greencentury.com](mailto:atarizzo@greencentury.com).

Thank you for your attention to this matter.

Sincerely,

John Nolan  
President  
The Green Century Funds



April 29, 2021

John Nolan  
Senior Vice President, Green Century Capital Management, Inc.  
President, Green Century Funds  
114 State Street, Suite 200, Boston, MA 02109

This letter is to confirm that as of April 29, 2021, UMB Bank, N.A. 2450, a DTC participant, in its capacity as custodian, held 62,414 shares of Procter & Gamble Co (PG) Stock on behalf of the Green Century Equity Fund. These shares are held in the Bank's position at the Depository Trust Company registered to the nominee name of Cede & Co.

Further, this is to confirm that the position in Procter & Gamble Co (PG) Stock held by the bank on behalf of the Green Century Equity Fund has been held continuously for a period of more than one year, including the period commencing prior to April 29, 2020 and through April 29, 2021. During that year prior to and including April 29, 2021 the holdings continuously exceeded \$2,000 in market value.

Sincerely,

Mande Crawford  
Vice President  
UMB Bank, NA

**UMB Bank, n.a.**

928 Grand Boulevard  
Kansas City, Missouri 64106

[umb.com](http://umb.com)

*Member FDIC*



**Whereas:** Procter & Gamble (PG) is one of the largest pulp and palm oil product manufacturers globally. 31 percent of PG's pulp comes from Canada, including from intact boreal forests.

Boreal ecosystems stabilize the climate and harbor biodiversity, holding approximately 44 percent of all terrestrial carbon and sheltering more than 32,000 species. Canada's boreal, which constitutes 25 percent of the world's remaining intact forests, experiences the third highest rate of intact forest loss globally, releasing tens of millions of metric tons of carbon annually. Demand for pulp is a driver of Canadian forest clearance.

PG's commitments fall short of investors' expectations. Voting shareholders (67 percent in 2020) approved a resolution urging PG to assess "eliminat[ing] deforestation and the degradation of intact forests in its supply chains."

But PG's newest forest policies still do not meaningfully reduce reliance on intact forests, nor do they adequately address human rights issues in the company's supply chain. Certification alone is insufficient. Yet, PG continues to rely heavily on certification schemes like SFI and PEFC, which do not explicitly require avoiding forest conversion or intact forest loss or that logging operations obtain free, prior, and informed consent (FPIC) of local communities. FSC Controlled Wood (19% of total sourcing) and RSPO Mass Balance mixed-sources certification systems also expose PG to controversial suppliers.

PG's reforestation commitments do not mitigate sourcing from intact forests, and its failure to evaluate suppliers' practices at a corporate group level has led PG to source from suppliers associated with illegal logging and human rights violations (ex., Sinar Mas Group).

These policies position PG behind peers, like Kimberly Clark, which has adopted and implemented a commitment to halve its sourcing from natural forests.

In its 2020 10-K, PG acknowledges reputational damage could materially impact company finances. PG's inadequate enforcement of FPIC and continued sourcing from intact forests has subjected it to escalating public pressure campaigns from 115 organizations and to high profile media criticism. In 2019, *Chain Reaction Research* calculated PG's potential reputational losses at \$41 billion, or 14 percent of equity, which "dwarfs the cost of solutions."

Failure to adopt and implement policies that mitigate these exposures may subject the Company to significant systemic and company-specific risks.

**Resolved:** Shareholders request PG issue a report assessing the benefits and drawbacks of committing to eliminate sourcing from intact forests in its pulp and palm oil supply chains.

**Supporting Statement:** Proponents defer to management's discretion but suggest that indicators meaningful to shareholders may include assessment of:

- Excluding sourcing from Intact Forest Landscapes, intact forest areas, and high carbon stock (HCS) forests;
- Suspending or excluding suppliers that are violating human rights, including the right of Indigenous Peoples and forest dependent communities to give or withhold Free, Prior and Informed Consent to development on their territories; and
- Developing non-compliance protocols, including evaluating supplier compliance at a corporate group level.

**Exhibit B**



# 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.<sup>1</sup> 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

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<sup>1</sup> 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.<sup>2</sup> 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 regular

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<sup>2</sup> 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.

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,<sup>3</sup> 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) and 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 industry-leading practices that enable us to provide consumer-preferred products, promote long-term value, and safeguard forest health for generations to come. By

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

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.



**Exhibit C**



# **FORESTRY PRACTICES REPORT MARCH 2021**

P&G conducted an assessment to identify opportunities to increase the scale, pace, and rigor of our efforts to eliminate deforestation and the degradation of intact forests in our wood pulp and palm oil supply chains. This report provides additional background, summarizes key findings, and highlights the outcomes and new actions we are taking in this important area.



# EXECUTIVE SUMMARY

P&G is committed to responsible sourcing of materials like wood pulp, palm oil, and palm kernel oil, which we use in several of our product categories. These materials help us meet consumers' needs and demands for high performing products that improve their lives, and we continually work to ensure that we are following responsible practices in our supply chains for them. To help us further enhance our responsible sourcing work, P&G engaged internal and external stakeholders, including expert teams, key suppliers, and NGOs, to review our current wood pulp and palm oil sourcing practices and progress, to assess opportunities to increase the scale, pace, and rigor of our efforts, and ultimately to identify additional specific actions we could take. While P&G's existing efforts have been comprehensive, rigorous, and delivering significant progress in ensuring responsible sourcing practices, we identified and committed to several new actions and goals:

- We have accelerated the pace of our certification targets – accelerating our Palm Oil RSPO (Roundtable on Sustainable Palm Oil) certification target by 1 year and our wood pulp FSC (Forest Stewardship Council) certification target by 3 years for our Family Care business.
- We have adopted new, industry leading FSC certification targets for our P&G Family Care business – committing to source 75% FSC-certified wood pulp before 2022. As part of this accelerated progress, 95% of wood pulp we source from Ontario and Quebec, areas of focus for caribou protection, will be FSC certified before 2022. P&G Family Care has also declared a new ambition to achieve 100% FSC certification by 2030 and will work with partners to try and overcome the low supply of FSC-certified fibers available, which stands in the way of that goal today.
- We have implemented a new public reporting process to share information on the palm grievances we receive via our grievance reporting systems, and we have already published our first Palm Oil grievance tracking report.
- We have increased the transparency and scope of data reporting on our forestry practices – significantly increasing data on our wood pulp and palm oil sourcing, creating a new ESG portal to provide improved access to information on our overall ESG efforts (including Forestry), and we will report to CDP's Forestry Survey.
- We have updated our Palm Oil, Paper Packaging and Wood Pulp Sourcing Policies – providing greater transparency and integrating additional rigor into our supply chain expectations.
- Going beyond our responsible sourcing compliance, we continue to expand the scale of our efforts to protect, improve and restore forests and improve livelihoods. This includes a new partnership with WWF-Malaysia (World Wildlife Fund) to protect the Malayan tiger and its habitat.

We describe our assessment process and detailed conclusions further below. Comprehensive information on our expanded efforts, policies, and reporting is available in the Forestry section of our ESG portal:

<https://www.pginvestor.com/esg/environmental/forestry/default.aspx>. Overall, our assessment reinforced that issues related to wood pulp and palm oil can be complex and challenging. We continue to learn from our supply chain and NGO partners and value the input they have provided to help inform our efforts. Further accelerating efforts will require all stakeholders – industry, government, and civil society – to work together. As a result, we will look for opportunities to continue to partner with others to help further accelerate positive impacts and will remain committed to transparently communicating our progress.

Certain statements in this report including estimates projections statements relating to our plans objectives and expected results and the assumptions upon which those statements are based are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe" "project" "expect" "anticipate" "estimate" "intend" "strategy" "future" "opportunity" "plan" "may" "should" "will" "would" "will be" "will continue" "will likely result" and similar expressions. Forward-looking statements are based on current expectations and assumptions which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements whether because of new information future events or otherwise except to the extent required by law. For additional information concerning factors that could cause actual results and events to differ materially from those projected herein please refer to our most recent 10-K/A 10-K 10-Q and 8-K reports.

# REVIEW PROCESS

P&G has had wood pulp and palm oil policies and programs in place for many years and has taken action over the last five years to increase the breadth and impact our efforts. In Fiscal Year 2021, P&G conducted a detailed review of our forestry-related programs to assess if and how we could even further increase the scale, pace, and rigor of our efforts. This process included:

- Benchmarking our policies and performance vs. peers in our industry
- Consulting with NGO partners to solicit input and ideas
- Engaging with suppliers to assess the feasibility and challenges associated with accelerating current efforts
- Sharing initial conclusions from our assessment with some of our largest shareholders, providing them an opportunity to comment on the direction and ambition of our proposed actions

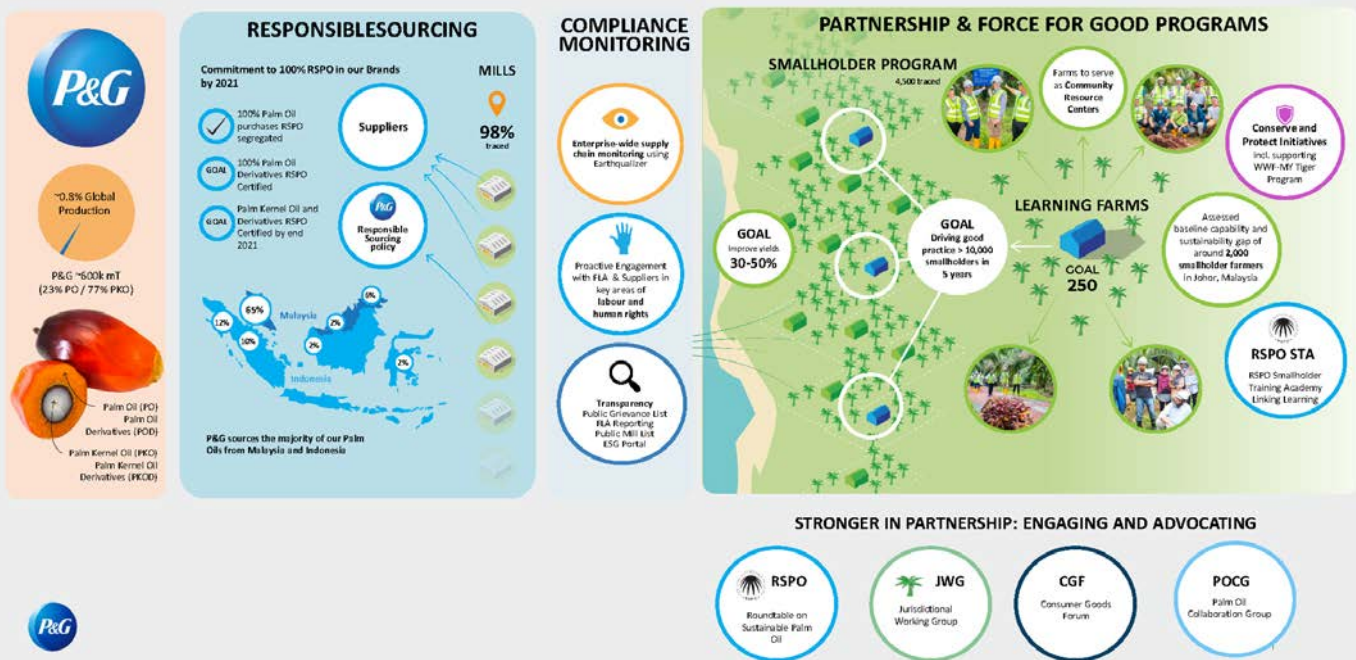
We then reviewed the findings and recommendations with key internal stakeholders and senior leaders, arriving at the conclusions and actions outlined in this report.

# PALM OIL

P&G uses ingredients derived from palm oil and palm kernel oil in a range of products, including in our fabric care, home care, and beauty care businesses. P&G's efforts to ensure responsible sourcing of palm derived materials are focused on three main pillars:

- Responsible Sourcing (Sourcing Policies, Supply Chain Transparency, RSPO Certification Goals)
- Compliance Monitoring (Supply Chain Monitoring, Grievance Tracking & Reporting)
- Partnerships & Programs for Positive Impact (Improving Livelihoods, forest Conservation and restoration, driving and influencing Industry standards)

## P&G PALM RESPONSIBLE PALM APPROACH



The infographic and tables below provide additional perspective on our overall efforts, use of palm materials, and current RSPO certification status. For additional details on our efforts, please see the Palm Oil Section of our ESG Portal:

<https://www.pginvestor.com/esg/environmental/forestry/palm-overview/default.aspx>.

## P&G RESPONSIBLE PALM OILS DATA

P&G's Responsible Palm Sourcing Policy holds all suppliers to the same high standards with respect to No Deforestation, No Peat and No Exploitation (NDPE). This applies to all our palm oil purchases regardless of whether the palm oils are RSPO certified or not. All suppliers must comply with our P&G Palm Oil Policy, P&G Responsible Sourcing Expectations for External Business Partners and RSPO's 2018 Principles and Criteria (P&C's)

### I. P&G RESPONSIBLE SOURCING: PALM OILS USAGE AND RSPO CERTIFICATION STATUS

P&G has committed to achieving 100% RSPO certified palm oils usage in P&G Brands by end 2021

(MT= Metric Tons)

P&G Brands	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	MT	% RSPO Certified	MT	% RSPO Certified	MT	% RSPO Certified
Palm Oil	48,802	100%	44,936	100%		
Palm Oil Derivatives	62,667	100%	62,996	100%		
Palm Kernel Oil	152,626	29%	169,626	44%		Current year data will be published after the close of FY20-21 which ends June 30, 2021.
Palm Kernel Oil Derivatives	85,322	0%	78,045	37%		
<b>Total</b>	<b>349,417</b>	<b>45%</b>	<b>355,603</b>	<b>59%</b>		

P&G Chemicals (PGC - our oleochemicals division) provides many of the palm materials used by P&G Brands. In addition, PGC also sells some materials to customers outside of P&G. To learn more please visit:

<https://www.pginvestor.com/esg/environmental/forestry/palm-overview/default.aspx>

(MT= Metric Tons)

P&G Total (P&G Brands+ PG Chemicals)	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	MT	% RSPO Certified	MT	% RSPO Certified	MT	% RSPO Certified
Palm Oil	63,802	100%	59,736	100%		
Palm Oil Derivatives	62,667	100%	62,996	100%		Current year data will be published after the close of FY20-21 which ends June 30, 2021.
Palm Kernel Oil	288,694	16%	317,726	23%		
Palm Kernel Oil Derivatives	85,322	0%	78,045	37%		
<b>Total</b>	<b>500,485</b>	<b>34%</b>	<b>518,503</b>	<b>43%</b>		

	FY 2018-2019	FY 2019-2020	FY 2020-2021 <sup>1</sup>
P&G Palm Mill List Published	✓	✓	✓
P&G Palm Supplier List Published	✓	✓	✓

## II. P&G PALM COMPLIANCE MONITORING

P&G Program	FY 2018-2019	FY 2019-2020	FY 2020-2021
Environmental Monitoring - Earthqualizer	-	✓	✓
Grievance Tracker Published	-	-	✓

## III. P&G PALM FORCE FOR GOOD PROGRAMS

P&G Program	FY 2018-2019	FY 2019-2020	FY 2020-2021
Improving Livelihood - Smallholders	✓	✓	✓
Conservation/Protection - WWF-MY Tiger Program	-	-	✓

# INSIGHTS & OUTCOMES FROM OUR ASSESSMENT

- We have accelerated our RSPO Certification Glidepath:** RSPO certification is a critical element of our supplier compliance program, as the RSPO 2018 Principles & Criteria integrate the requirements of our Palm Oil Sourcing Policy. P&G has maintained 100% RSPO certification for the Palm Oil and Palm Oil Derivatives used in P&G brands since 2018.



P&G also had an existing goal of achieving 100% RSPO certification for all Palm Kernel Oil (PKO) and Palm Kernel Oil derivatives (PKOD) used in P&G brands by the end of 2022. PKO/PKOD certification has been on a longer timeline due to industry supply constraints. Based on detailed assessment and continued supplier discussions regarding current and potential future supply options, we will now target to achieve 100% RSPO certification for PKO/PKOD materials used in P&G brands by the end of 2021, accelerating our previous target by a full year.

- We have implemented public grievance reporting:** In April 2020, we significantly enhanced our supplier compliance monitoring program by subscribing to Earthqualizer's satellite monitoring system, which issues alerts if it detects possible non-compliance with our Palm Oil Sourcing Policy. This system monitors not just our physical supply chain but also the enterprise-wide compliance of our suppliers. Our review reinforced that stakeholders are looking for additional

insight into the findings of this and other grievance reporting systems and the actions P&G is taking in response to reports. As a result, we will now implement a system to publicly share information on grievances we receive via the Earthqualizer system as well as P&G's existing grievance reporting system. In addition, we will share the actions taken against suppliers who have been in violation of our Palm Oil Sourcing Policy. Additional details on P&G's Palm Oil Grievance Tracker can be found here:

[https://s1.q4cdn.com/695946674/files/doc\\_downloads/esg/2021/PG\\_ESG\\_Palm\\_Oils\\_Grievance\\_Tracker\\_FINAL.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/esg/2021/PG_ESG_Palm_Oils_Grievance_Tracker_FINAL.pdf)

3. **We have strengthened our Palm Oil Sourcing Policy:** Our review also identified the need to clarify and update certain aspects of our Palm Oil Sourcing Policy. Accordingly, we updated our supply chain expectations, clarifying and revising aspects like cut-off dates, restoration expectations, and the protection of human rights, land rights, and environmental supporters. We also integrated into the Policy the enhanced compliance monitoring and grievance tracking discussed above. Our updated policy can be found attached and here:  
[https://s1.q4cdn.com/695946674/files/doc\\_downloads/esg/2021/PG\\_ESG\\_FOREST\\_POSITIVE\\_PALM\\_SOURCING\\_POLICY\\_FINAL.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/esg/2021/PG_ESG_FOREST_POSITIVE_PALM_SOURCING_POLICY_FINAL.pdf)
4. **We will continue to advance Conservation and Restoration Efforts:** P&G's palm oil efforts have included a formal program to improve the livelihood of palm smallholders (small, independent farmers) by helping them increase their yields from existing lands. P&G created the Centre for Sustainable Smallholders and is developing core learning farms, where agronomists work with smallholders to implement agricultural practices that have been shown to increase yields by up to 30%. **In 2019 we communicated our intent to expand the scale and scope of our efforts** to include conservation and protection of sensitive areas in key sourcing regions. After evaluating potential opportunities, we have now launched our first project: a partnership with WWF-Malaysia to support tiger conservation in Malaysia. Additional details on this effort can be found here: [https://www.wwf.org.my/media\\_and\\_information/media\\_centre/?28585/PG-Partners-with-WWF-Malaysia-to-Protect-the-Malayan-Tiger-and-its-Habitat](https://www.wwf.org.my/media_and_information/media_centre/?28585/PG-Partners-with-WWF-Malaysia-to-Protect-the-Malayan-Tiger-and-its-Habitat)
5. **We are committed to continuing to review and identify opportunities** to increase our palm oil efforts. We have integrated these new program attributes into the information in our online portal and will continue to provide updates on our progress and programs here: <https://www.pginvestor.com/esg/environmental/forestry/palm-overview/default.aspx>

# WOOD PULP

P&G purchases wood pulp for tissue, towel, and absorbent hygiene products. Though we do not own or manage forests, we have a responsibility through our procurement practices to help ensure the sustainability of the world's forest resources. As such, we are committed to understanding our pulp fiber sources, providing transparency in sourcing, and ensuring that sustainable forest management practices are used in our supply chain.

In addition to our commitment that within our supply chain, for every tree we use, at least one is regrown, a critical component of our efforts has been to require that 100% of the wood pulp we source is certified by a leading third-party certification system that ensure forests are responsibly managed. The tables below provide additional perspective on our use of wood pulp and certification status. For additional details on our efforts please see the Wood Pulp section of our ESG Portal <https://www.pginvestor.com/esg/environmental/forestry/pulp/default.aspx>

Fiscal year	2014/15	2015/26	2016/17	2017/18	2018/19	2019/20
Total Tons Purchased (Millions of Air-Dried Metric Tons)	1.65	1.65	1.5	1.5	1.3	1.69
<b>Sourcing by Country/Region (%)</b>						
United States	610,500	627,000	495,000	480,000	364,000	625,300
Canada	462,000	445,500	465,000	495,000	455,000	523,900
Latin America	577,500	577,500	540,000	525,000	468,000	507,000
Europe					13,000	33,800
<b>Third Party Program- % of Total</b>						
FSC CoC	35	33	33	37	39	51
SFI	51	47	47	26	35	15
PEFC/CSA-SFM	15	18	18	30	22	15
FSC CW	-	2	2	7	4	19
Unclassified	-	-	-	-	-	-

II. FSC CoC = Forest Stewardship Council Chain of Custody

III. SFI = Sustainable Forestry Initiative

IV. PEFC/CSA-SFM = Programme for the Endorsement of Forest Certification/Canadian Standards Association Sustainable Forest Management standard

V. FSC CW = Forest Stewardship Council Controlled Wood



# INSIGHTS & OUTCOMES FROM OUR ASSESSMENT

1. **We will accelerate Our Forest Stewardship Council Certification Glidepath:** Since 2015, P&G has required that 100% of the wood pulp we source is certified by a leading third party certification system (such as Forest Stewardship Council (<https://www.fsc.org/en/about-us>), Sustainable Forestry Initiative (<https://www.forests.org/who-we-are/>), and Programme for the Endorsement of Forest Certification (<https://www.forests.org/who-we-are/>). These systems ensure forests are responsibly managed and adhere to multiple criteria for sustainable forest management, including:
- Ensures no deforestation
  - Replanting and reforestation after harvesting
  - Preserves water, soil, and air
  - Protects biodiversity
  - Respects right of indigenous peoples (Free, Prior and Informed Consent as outlined in <https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html>)
  - Protects endangered species

P&G prefers the Forest Stewardship Council (FSC) certification, one of the world's most trusted and robust forest certifications. Currently, however, the availability of FSC-certified pulp is insufficient to meet the demands of our industry. We have long been collaborating with our supply chain partners and stakeholders to increase FSC-certified forest acreage. In our assessment, we examined if and how we and our partners could accelerate our efforts to increase supply. One of the challenges that we continue to face is that P&G is a relatively small stakeholder in the countries where we source pulp. For example, we source 3% or less of the wood pulp from countries of origin and less than 1% of the total wood products being produced by these countries. Instead, the lumber industry is the main purchaser of wood products from these forests and would need to support the FSC certification efforts for more of our suppliers to become FSC certified.

Nevertheless, based on the groundwork we have laid over the last decade, we believe that P&G Family Care can accelerate its FSC commitment by three years. Now, P&G Family Care will work to ensure 75% of our wood pulp is FSC certified before 2022. As a component of this effort, before 2022, P&G Family Care will target having 95% of Ontario and Quebec wood pulp be FSC certified. Ontario and Quebec represent key areas of focus for the protection of caribou. In addition, P&G Family Care has a new ambition to deliver 100% FSC certified wood pulp by 2030. As our review and analysis confirmed, P&G's ability to increase the percentage of FSC certified fibers we purchase largely depends on an increase in the supply of FSC certified fiber available. This increase will require industry-wide effort.

**Accelerating our FSC  
Certification Commitment**

**BEFORE 2022**

←

**Before 2025**

Sourcing at least 75% of wood pulp  
from FSC certified sources

2. **We will strengthen Responsible Sourcing Efforts:** To deliver on this commitment P&G has strengthened our Wood Pulp Sourcing Policy attached and available here [https://s1.q4cdn.com/695946674/files/doc\\_downloads/esg/2021/PG-ESG-Wood-Pulp-Sourcing-Policy-FINAL318.pdf](https://s1.q4cdn.com/695946674/files/doc_downloads/esg/2021/PG-ESG-Wood-Pulp-Sourcing-Policy-FINAL318.pdf). Specifically, we have clarified our expectations for no deforestation

confirmed the protection of the rights of Indigenous Peoples and included stricter forest certification requirements. In addition, we will share the actions taken against suppliers who have been in violation of our Wood Pulp Sourcing Policy.

3. **We will increase Sourcing Transparency:** For many years P&G has tracked and reported annually the amount of wood pulp it purchases from suppliers certified under each of the forest certification schemes. As we assessed how we could enhance our transparency in this area we recognized an opportunity to provide more details about our sourcing to external stakeholders. Accordingly, we will become an industry-leader in wood pulp transparency sharing additional data on metrics like sourcing volume, regions, certification schemes, relative size of sourcing, tree harvesting timing, and others. This information can be found via our new ESG portal.
4. **We will advance Conservation Efforts:** P&G and our Family Care brands go beyond responsible sourcing and support efforts to keep forests as forests for generations to come. We established several new efforts this past year and have been able to expand on a number of them.
  - P&G has been collaborating with the Arbor Day Foundation to plant 1 million trees between 2020-2025 in areas devastated by natural disasters, an increase in our initial commitment to the program. Generations to come will see the long-term benefits of trees planted, through a restored ecosystem, carbon sequestration and improved air and water quality for local communities.
  - Since July 2020, P&G Family Care, pulp supplier Suzano, and World Wildlife Fund have been collaborating on the Atlantic Forest Landscape Restoration Project in Brazil. This effort will produce forest landscape restoration and rehabilitation plans and methodologies for several degraded forest and agricultural landscapes in the Brazilian state of Espírito Santo.
  - In November 2020, we joined with longtime partner the Rainforest Alliance on its launch of the Forest Allies Community of Practice, serving as a founding member. The Forest Allies community is focused on protecting, restoring, and enabling responsible management of tropical forests.
  - We continue to work with the Nature Conservancy and the American Forest Foundation to help family forest owners in the U.S. better manage their forests

More information on these programs is available at <https://us.pg.com/mapping-our-impact/>.

We will continue to partner with stakeholders to assess our programs and progress and look for new opportunities to further enhance our efforts. We have integrated these new program elements into the information in our online portal <https://www.pginvestor.com/esg/environmental/forestry/pulp/default.aspx>.

# INCREASING TRANSPARENCY & REPORTING

As part of our assessment process, we heard directly from investors and other stakeholders their desire for greater transparency and reporting by companies on both general issues related to environmental, social, and governance topics as well as the specific matters covered in this report. Therefore, to enhance our overall reporting and transparency, we will:

1. **Launch an online portal that will provide improved access to relevant information and data related to key ESG topics.** This portal will include relevant policies, a description of our overall management efforts, progress against goals, and relevant data and metrics. We plan to evolve this content over time, but the initial version of this portal, which includes the most up to date information on our palm oil and wood pulp efforts, is now available via <https://www.pginvestor.com/esg/esg-overview/default.aspx>.
2. **Respond to CDP Forest Survey:** We will respond to the CDP Forest Survey during their next reporting window.

## CONCLUSION

In conclusion, our assessment reinforced that supply chain and reporting issues related to wood pulp and palm oil are complex and challenging. Nevertheless, we continue to learn from our supply chain and NGO partners and value the input they have provided to this assessment and our efforts more generally. Further accelerating our work will require all stakeholders – industry, government, and civil society – to work collaboratively toward our shared goal of eliminating deforestation and the degradation of intact forests. As we do our part, we will continue to partner with others to help further accelerate positive impacts and will remain committed to transparently communicating our challenges and progress.

**Attachment A: Palm Oil Sourcing Policy** (updated March 2021)

**Attachment B: Wood Pulp Sourcing Policy** (updated March 2021)

**Exhibit D**



# 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 safeguarding human rights across our operations and suppliers. Given that wood pulp, fiber-based packaging, and palm oil are valuable renewable resources, we have a sourcing policy to address each commodity.

P&G 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.



# WOOD PULP SOURCING POLICY

P&G sources wood pulp that is used in the production of products in Family Care, Baby Care, and Feminine Care business units such as paper towels, diapers, feminine hygiene products, and toilet paper. P&G will ensure the forests harvested for our pulp are managed sustainably and responsibly. As part of this effort, we will continuously review all pulp suppliers to ensure they are providing us with sustainably sourced fiber that complies with this policy.

## INCREASE FOREST POSITIVE IMPACTS

P&G is focused on having a [Forest Positive](#) impact and as such, suppliers are expected to play a part in conservation and restoration efforts beyond maintaining forest certification. Projects such as reforestation efforts, improving degraded lands, partnering with Indigenous Peoples, and protecting endangered species are elements of our Forest Positive approach.

## NO ILLEGAL LOGGING

P&G will not use illegally sourced fiber or conflict timber in our products. We will document that fiber is legally harvested and that other legal requirements are met.

## NO DEFORESTATION

P&G does not allow deforestation and does not permit forest degradation in our sourcing. Permanent conversion of land from forests to non-forest increases greenhouse gas emissions and has negative effects on biodiversity and the local communities that rely on them. P&G works with suppliers and stakeholders to address deforestation concerns in high-risk areas. P&G's commitment to increasing the use of third-party certification lowers the risk of deforestation and forest degradation within our supply chain.

P&G does not support conversion of forests to non-natural ecosystems in our supply chain. In restricted situations, conversion of forest to other non-forest rare natural ecosystems such as wetlands, savannahs, and native grasslands could occur. The following conversion types are not allowed in our supply chain:

- Agricultural land including commercial crops or livestock
- Commercial and residential developments
- Tree plantations with non-native trees, heavy reliance on chemicals, or lack key elements of natural forests

## PROTECT HIGH CONSERVATION VALUE (HCV) AREAS

P&G will source only from suppliers that do not harvest from forests that are mapped High Conservation Value (HCV) areas without third-party certification. HCV forests are areas that have been designated to have critical or important environmental, cultural, ecological, or landscape values. These areas also include peatlands and high carbon stock forests. P&G supports multi-stakeholder efforts to develop information sources and tools that will help

suppliers identify these areas on their own properties and in their procurement of wood raw materials from third-parties (e.g. [www.hcvnetwork.org](http://www.hcvnetwork.org)).

## **RESPECTING HUMAN RIGHTS**

At P&G, respect for [Human Rights](#) is fundamental to the way we manage our business. We support the [U.N. Guiding Principles for Business and Human Rights](#) which respects and honors the principles of internationally recognized human rights including:

- Those rights expressed in [The International Bill of Human Rights](#) (i.e., Universal Declaration of Human Rights and the International Covenants on Economic, Social and Cultural Rights and Civil & Political Rights,) and
- The principles concerning fundamental rights as set out in the [International Labor Organization Declaration on Fundamental Principles and Rights at Work](#).

As such, suppliers are expected to have the necessary policies and procedures in place to follow P&G's [Responsible Sourcing Guidelines for External Business Partners](#). This includes supporting [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 (FPIC) 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](#).

## **MINIMUM FOREST CERTIFICATION**

To support the implementation of our environmental and social commitments, all wood pulp sourced by P&G is required to be certified by one of the following third-party certification systems: Forest Stewardship Council® (FSC®), Sustainable Forestry Initiative® (SFI®), or Programme for the Endorsement of Forest Certification (PEFC). Within these systems, P&G only accepts the following certification claims:

- FSC: FSC 100%, FSC Mix Credit, and FSC Controlled Wood
- SFI: 100% SFI Certified Chain of Custody
- PEFC: 100% PEFC Certified Chain of Custody

These claims require rigorous annual third-party, independent audits of forests and reviews of supplier's internal due diligence systems.

P&G has preference for FSC certified materials and encourages suppliers to get their sourcing forests and supply chains fully FSC certified to the FSC Forest Management Standard. P&G joins many premier environmental non-governmental organizations in considering FSC the gold-standard of forestry certification systems. FSC protects biodiversity and ecosystems, supports Indigenous Peoples and local communities, and protect sensitive lands.

## **ENSURE EFFICIENT USE OF RESOURCES**

P&G believes that we should invest our resources where we can make the greatest sustainability improvements and will partner with suppliers to:

- Focus on source reduction in the long term or use of less fiber through development of innovative technologies that provide maximum product performance using minimal fiber.
- Evaluate the use of non-forest derived sources of fiber, recognizing that alternatives must also meet principles of sustainable management.
- Explore and implement energy and water conservation opportunities in our paper making operations.
- Invest in research to identify the technical breakthroughs needed to allow us to use alternative fibers in our premium products without an impact on product performance, manufacturing efficiency, resource and energy usage and waste generation.

## **MONITORING & GRIEVANCE**

P&G will continuously review all pulp suppliers to ensure they are providing us with sustainable sourced fiber and are in compliance with this policy and certification standards. If non-conformances are identified, we will work with our suppliers and certification partners to investigate these claims and take appropriate actions. P&G commits to resolving grievances in a timely manner and will take actions for non-compliance which could include temporary suspension of purchases, decreased purchasing, or termination of agreements. P&G has a [P&G Business Conduct System](#) to allow those both inside and outside the company to raise concerns. We will share the actions taken against suppliers who have been in violation of our Wood Pulp Sourcing Policy at [P&G's ESG for Investors website](#).



**Exhibit E**



# **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 suppliers are expected to address incidents and report the actions taken to remediate and mitigate future incidents from occurring. 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