



## P&G Updated Palm Responsible Sourcing Policy 2019

### **Palm Procurement Policy**

P&G is committed to ensuring our suppliers meet RSPO Principles and Criteria (P&C) and have the necessary policies and procedures in place to ensure responsible sourcing of palm oil, palm kernel oil, and their derivatives. We expect our suppliers to follow the 2018 RSPO P&C which have incorporated the key elements of our no deforestation, no peat, and no exploitation (NDPE) policy outlined below:

- No development of high-conservation-value (HCV) areas and high-carbon-stock (HCS) forests
- No new development of peat lands regardless of depth
- No burning to clear land for new development or replanting
- Compliance with P&G's existing Sustainability Guidelines for External Business Partners
- Respect for human and labor rights
- Respect for land tenure rights, including 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 custom.

### **Supply Chain transparency**

Improving and promoting supply chain transparency is a key enabler to delivering our responsible supply chain policy. Going forward, we expect our suppliers to publish their own concession maps and to work with their suppliers to publish their concession maps at the group level. We support the development of a common map sharing platform and will work with our suppliers and other stakeholders to help facilitate development of a viable map sharing platform. Once an agreed viable common platform is established, our intent is to require publication of concession maps as a condition of business.

### **Proposed Updates to Responsible Sourcing Policy - Compliance Verification and Grievance Process**

P&G is updating our Palm Responsible Sourcing policy with a focus on "No Deforestation and No Peat" requirements to address our plans for compliance verification and grievance process. The updated policy, effective as of January 31, 2019 codifies our expectation and approach in managing policy verifications and violations. The updated policy covers our direct supplier and indirect, 3rd party suppliers. The expectation is the direct supplier will manage the indirect suppliers and ensure the policy and grievance procedure are followed.

The path forward for both verification and grievance process is outlined below:

#### Verification

All of our suppliers have implemented policies that meet our sourcing expectations. RSPO certification is a major component of verifying compliance with our NDPE policy and our supply chain expectations. We have maintained 100% RSPO certification for palm oil/ palm oil derivatives. By end of 2018, we have achieved 100% of our palm oil as RSPO Segregated (SG) and are continuing to make progress in our efforts to source 100% of SG palm oil derivative by 2020. We remain on track to hit that goal and are developing plans to procure 100% of our palm oil derivatives as RSPO SG by the end of 2020. For PKO and PKO derivatives, we will strive to increase certified materials on year-over-year basis and publicly report progress on annual basis.

In addition to RSPO certification, we will focus additional verification efforts on sourcing areas characterized as high risk per our palm oil mill risk assessment process, based on the World Resource Institute (WRI) Global Forest Watch (GFW) Pro. We will work with relevant suppliers to ensure adequate traceability and verification of Responsible Sourcing requirements for high risk locations. For the high-risk mills, we expect our suppliers (including working with their suppliers for 3<sup>rd</sup> party source) to provide the FFB source profile (% own plantation, % scheme smallholders, and % other) to further prioritize mill

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risk. As a first step, we will assess the sufficiency of current verification process of all suppliers. Based on those findings, we will develop a glidepath and process for verification of high-risk locations in consultation with relevant suppliers to ensure we have an optimized process that avoids duplication of effort. These will be achieved by multi-stakeholder collaborations executed by credible parties on the ground in the high-risk areas. To start addressing the highest risk area in Riau, we have decided to participate in the Buyer Action Group led by WWF, with industry partners and our major suppliers to establish traceability and policy compliance on legality in protecting national parks, and eventually the NDPE policy. Our intent is to try and support operations in high risk areas that have established robust governance processes and have been verified as NDPE compliant. While we will prioritize verification efforts based on risk assessment, we also recognize the importance of conserving frontier forest areas with high forest cover and high conservation values. Therefore, our intent is to also work via multi-stakeholder forums to develop and strengthen approaches for monitoring and protecting the frontier forest areas that are most relevant to our suppliers / supply chain.

## Supply chain grievance approach

All of our suppliers have submitted their relevant policies and procedures to demonstrate how they will meet our requirements. We expect all of our suppliers to have a public grievance policy and to maintain a public dashboard to share any allegations received and actions being taken to investigate and, when relevant, mitigate.

If we find a supplier is violating our NDPE policy, and if that supplier does not acknowledge and take action to resolve the concern, P&G will suspend or eliminate palm oil 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.

In instances where land was developed in clear violation of a supplier's own policy after the effective date of that policy, our approach will be as follows:

- If the land in question is already producing FFB, suppliers will ensure no FFB or PO/POD/PKO/PKOD from the area are supplied to P&G:
- For development that occurred on supplier owned lands:
  - Immediate halt to any further development activities
  - Development and implementation of a restoration or compensation plan
- For development that occurred on lands owned by a 3rd party:
  - The direct supplier should immediately suspend sourcing from the area in question
  - The direct supplier should work with the 3rd party supplier to implement a restoration or compensation plan
  - Should the 3rd party supplier be unwilling to develop and implement a restoration or compensation plan, we expect our supplier to move supply away from the 3rd party
- The approach to restoration or compensation should:
  - Follow relevant legal or voluntary frameworks that are applicable to the situation
  - In the absence of any agreed framework, use a multi-stakeholder process to define a scientifically valid and meaningful approach to restore the impacted, or conserve/restore equivalent (or greater) areas similar to the impacted ecosystem and its associated values.
- The approach should include protection and monitoring mechanisms that reflect concept of shared responsibility across business & land owners, local community, government and civil society organizations.