Brief to Procter & Gamble Shareholders re: Angela Braly’s Failure to Ensure Sufficient Improvements to the Sustainability of Forest Supply Chains

**Recommended:** Vote AGAINST the re-election of Angela Braly to Procter & Gamble’s board of directors for her failure to heed a shareholder mandate that meaningful action be taken to eliminate deforestation and intact forest degradation from P&G’s supply chains.

**Key points:**
- As chair of the board’s Governance & Public Responsibility Committee, Braly is responsible for P&G’s inadequate response to a 2020 shareholder resolution that instructed the company to address deforestation and intact forest degradation in its supply chains, and that was supported by 67 percent of voting shareholders.
- Under Braly’s guidance, P&G has responded to the shareholder mandate with cosmetic measures that fail to substantively reform its operations or mitigate its impacts on forests and communities.
- The effectiveness of Braly’s leadership elsewhere has been questioned: She was pressured to resign from her CEO role at insurance company WellPoint, Inc. following managerial blunders, and her re-election to ExxonMobil’s board was opposed by investors who deemed her ineffective in addressing climate-related risks.

October 8, 2021

Dear Procter & Gamble Shareholder,

As a major Procter & Gamble (P&G) shareholder, you are urged to vote against the re-election of Angela Braly to the board of directors for her failure to ensure meaningful action on the **2020 shareholder resolution**, which was put forth by Green Century Equity Fund and passed by a landslide 67 percent of voting shareholders,¹ including BlackRock, Vanguard, and State Street.

This resolution urged P&G to increase its efforts to eliminate deforestation and intact forest degradation from its supply chains² and was the first time a proposal related to forest loss passed

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² P&G, “2020 Proxy Statement,” accessed October 4, 2021, [https://assets.ctfassets.net/oggad6svuzkv/5d2sL6BjTNm30mEclZQe7H/8df1cc5f80e5380410db6d7c657848a9/AR2020.pdf](https://assets.ctfassets.net/oggad6svuzkv/5d2sL6BjTNm30mEclZQe7H/8df1cc5f80e5380410db6d7c657848a9/AR2020.pdf)
in any corporation’s history. Investors and international organizations outlined the significant market, regulatory, operational, and reputational risks P&G faces due to its ties to forest destruction and human rights abuses in its wood pulp and palm oil supply chains. Nearly one year later, and under the guidance of Braly, the chair of the Governance & Public Responsibility Committee, P&G leadership has neither fundamentally reduced the impact its supply chains have on forests and communities nor addressed the liabilities outlined by investors and international groups in both the shareholder proposal and supporting materials.

In response to the 2020 vote, P&G published an Environmental, Social, and Governance (ESG) platform for investors, a Forestry Practices Report, and additional materials that outline its sourcing methods; it also updated its procurement policies. Unfortunately, these are largely cosmetic measures that do little to reform P&G’s operations or mitigate their detrimental impacts. In fact, even as mounting public evidence shows that P&G’s supply chains fail to sufficiently protect Indigenous rights, threatened species, and the global climate, the company has doubled down on many of its longstanding approaches over the past year.

Given the stakes of the current moment—an unprecedented confluence of climate collapse, dramatic biodiversity loss, and human rights violations by extractive and industrial agricultural commodities industries—P&G’s leadership must be held accountable for its refusal to act. A dangerous precedent will be set if investors do not push back when leadership fails to listen. As chair of P&G’s Governance & Public Responsibility Committee, a role she has occupied since 2016, Braly is responsible for guiding board recommendations on social responsibility issues, including those pertaining to sustainability and human rights. P&G’s inability to adopt policies that both affect substantive change around these issues and that mitigate the fundamental risks associated with them, is due in large part to Braly’s failed leadership—which is not without precedent.

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9 P&G, “Structure & Governance.”
In 2012, Braly was pressured to resign from her role as CEO of insurance company WellPoint Inc. (now Anthem) by investors who cited managerial blunders. In 2020, major ExxonMobil shareholder BlackRock, deemed that Braly—who sits on the company’s board of directors and chaired its Public Issues and Contributions Committee from 2019 to 2021—made “insufficient progress” in addressing climate-related risks; BlackRock opposed her reelection to the company’s board that year. It begs the question as to how Braly, a leading figure at one of the largest fossil fuel companies in the world, can credibly guide P&G’s response to sustainability concerns.

Under the guidance of Braly, the following P&G supply chain issues continue to pose a substantial risk to shareholder investments:

**P&G continues to source wood pulp and palm oil from climate-critical primary forests.** The 2020 shareholder resolution called on P&G to increase its efforts to eliminate deforestation and intact forest degradation from its supply chains. Clearcutting and the push into intact forests violates the rights of Indigenous Peoples, devastates wildlife, and releases natural carbon stores that fuel the global climate crisis. Since the shareholder proposal’s passage, stakeholders and shareholders have attempted to engage P&G in good faith and recommend a course of action to meet the demands of the mandate. One year later, P&G should be able to show that the company has established a mandatory policy prohibiting deforestation and the degradation of primary forests from its pulp and palm oil supply chains, effective immediately, along with clearly articulated accountability mechanisms for its suppliers. Instead, P&G has refused to prohibit sourcing from intact forests; in Canada, it has even increased its pulp purchases by 15 percent.

- In the supplement to its 2021 *Forestry Practices Report*, P&G states that it will continue sourcing wood pulp from intact forests landscapes (IFLs) for its products, which include throwaway items like Charmin toilet paper and Bounty paper towels. It supports this decision by stating that P&G sources a “small amount” of wood pulp from IFLs and that the wood pulp it does source from primary forests is responsibly harvested.

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15 Vinyard, “P&G Stuck in the Past in a Shifting Tissue Marketplace.”

It is critical to note that an “intact forest landscape” is a forested or non-forest ecosystem undisturbed by significant human activity that is at least 500 square kilometers (more than 123,500 acres).\textsuperscript{17} In the boreal, there are many areas of undisturbed primary forest that are not large enough to be an IFL but that still have significant ecological value. By framing its impact on intact forests through the lens of IFLs, P&G can discount how much primary forest it impacts from smaller areas and underestimate its total footprint. Additionally, it is important to note that because only very large, unfragmented primary forests meet the definition of an IFL, logging operations in these areas erode and fragment IFLs until they no longer qualify as such. Thus, sourcing any fiber, even a small percentage, from IFLs jeopardizes their long-term existence.

P&G has not fully mapped where its sourcing overlaps with intact forest areas—despite calls for it to do so. By looking at boreal caribou habitat in Canada, though, and how that overlaps with some of P&G’s suppliers’ footprints, it is clear that the company likely underestimates its intact forest footprint.\textsuperscript{18} Canada’s boreal caribou are a threatened species in large part due to habitat disturbance from industrial activities like logging; the animals rely on undisturbed intact forest for their survival, and their populations plummet when their habitat deteriorates.\textsuperscript{19} Thus, where boreal caribou live, their habitat serves as a good proxy for intact forests. A 2021 analysis of Canadian logging companies shows P&G’s pulp suppliers in Ontario and Quebec source heavily from threatened boreal caribou habitat.\textsuperscript{20} However, since many areas of boreal caribou habitat are too small to be classified as an IFL, they would not be included in P&G’s intact forest sourcing figures, which estimate “less than 1 percent of P&G’s global wood pulp sourcing includes IFLs.”\textsuperscript{21}

P&G argues that it cannot expect its suppliers to avoid fibers from IFLs completely, and it states that if the company were to commit to avoid IFLs, suppliers would likely sell their wood pulp sourced from IFLs to other industries and companies with “less responsible practices.”\textsuperscript{22} There is no such thing as the “responsible” destruction of primary forests, and there is no way for P&G to source from primary forests more responsibly than its competitors.

\textsuperscript{17} IFL Mapping Team, \url{http://www.intactforests.org/concept.html}, accessed October 4, 2021.


\textsuperscript{20} Lewis & Jordan, “By a Thousand Cuts: How Powerful Companies’ Wood Sourcing Is Degrading Canada’s Boreal Forest.”

\textsuperscript{21} P&G, “Forestry Practices Report Supplement.”

\textsuperscript{22} Id.
P&G also states that prohibiting its suppliers from sourcing wood pulp from IFLs would hinder its ability to acquire enough material to produce its “high-performing paper products.” This should immediately call into question the validity of the company’s claim that it only sources a “small amount” wood pulp from IFLs.

While P&G’s *Wood Pulp Sourcing Policy* states that it will review “all pulp suppliers to ensure they are providing [P&G] with sustainably sourced fiber,” the aforementioned 2021 analysis of Canadian logging companies indicates that P&G sources wood and pulp from mills in Ontario and Quebec that engage in large-scale and unsustainable logging practices responsible for destroying critical regions of the boreal, including intact forests. P&G has not published any plans to change its sourcing based on the findings in this report. Another October 2021 report that looked at Canada’s top pulp producers found that many of those supplying pulp to companies like P&G are largely failing to meet key environmental standards, including those aimed at protecting intact forests.

P&G continues to validate its boreal wood pulp sourcing methods by referring to Canada’s supposedly “rigorous” national forestry policies. On its ESG website for investors, P&G states that Canada mandates “forests to be harvested responsibly without any deforestation.” But the Canadian logging industry clearcuts more than one million acres of carbon-rich boreal forest every year to meet the demands of companies like P&G, and it ranks third globally for intact forest loss. In fact, Canada relies on the technical definition of “deforestation,” which is that deforestation happens only when a forest is converted into other land uses, like a parking lot or agricultural development. Because logging in the boreal does not convert forests to other land uses, this definition paper over rampant forest degradation and obfuscates the long-term impacts of clearcut logging in primary forests.

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23 Id.
26 P&G, “ESG for Investors.”
29 P&G, “ESG for Investors.”
forests on threatened species and the climate. According to a 2019 study, logging practices common in the boreal have led to a large network of barren forest landings, pits, and logging roads that show little sign of regrowth decades after having been logged, which has been called “de facto deforestation.” In Ontario alone, this means that annual boreal deforestation rates linked to industrial logging operations are nearly fifty times higher than the province’s current estimates. P&G must stop parroting misleading claims and accept the reality of the impacts of its sourcing.

- P&G states that its policy on palm oil sourcing “effectively prohibits the conversion of intact forest landscapes for palm oil production.” But according to a recent report, P&G “continues to source from as many as 22 palm oil producers and traders engaged in ongoing deforestation” in Indonesia. Several of P&G’s palm oil suppliers, for example, have allegedly destroyed forests in the Leuser Ecosystem, which is one of Indonesia’s last large tracts of intact rainforest and the only place where Sumatran orangutans, rhinos, elephants and tigers coexist in the wild. P&G has taken insufficient action to address its role in the ongoing deforestation of these critical habitats.

**P&G fails to sufficiently address human rights violations.** Deforestation and forest degradation are notoriously linked to violence, intimidation, land grabbing, and other human rights abuses, particularly in Indigenous and local communities. P&G claims to safeguard human rights across its operations and suppliers. It also states its support for free, prior, and informed consent (FPIC), which allows Indigenous and local communities to give or withhold permission for a project that may impact them or the land they own. The company’s updated policies, however, provide little assurance that it is able to determine whether human rights or FPIC violations have occurred, much less enact consequences or provide a remedy to those violated. Moreover, P&G continues to use suppliers with ties to severe human rights abuses.

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33 Skene, “Northern Exposure: The Unseen Loss of Northern Forests.”
40 P&G, “P&G’s Forest Positive Sourcing Policy.”
41 *Id.*
P&G’s updated policies fail to explicitly state that suppliers must demonstrate proof of having obtained FPIC. While the company’s forestry report notes, “FPIC processes should be done in a culturally appropriate manner and follow credible methodologies,” P&G remains reliant on third-party certification systems to ensure FPIC’s implementation, even though not all of the certification systems P&G uses (e.g. the Sustainable Forestry Initiative) explicitly require FPIC or have adequate systems in place to ensure FPIC compliance.

Several of P&G’s main palm oil suppliers are embroiled in ongoing human rights controversies and have not fully addressed grievances. In 2020, Malaysian companies FGV Holdings, a major P&G palm oil supplier and joint venture partner, and Sime Darby Plantations, another direct supplier, were both issued withhold release orders by the U.S. Customs and Border Protection over forced labor allegations. In Indonesia, Astra Agro Lestari (AAL), another P&G supplier, has been implicated in ongoing land conflicts involving land seizures by force from local communities without consent and the wrongful incarceration of land defenders.

Another direct P&G supplier, Golden Agri-Resources, is linked to corruption; in 2019, three executives from one of its subsidiaries were sentenced to prison for bribing Indonesian officials to overlook unpermitted palm oil production and extensive water pollution. A 2020 report also highlighted the major shortcomings of Golden Agri-Resources and other P&G palm oil suppliers Royal Golden Eagle and Wilmar International to ensure the fulfillment of FPIC rights in Indonesia.

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42 Id.
47 Stand.earth, “Controversy Report: Procter & Gamble’s Irresponsible Pulp & Palm Oil Sourcing and Its Impacts on Primary Forests and Human Rights.”
• P&G states that it expects its direct suppliers to “protect and support human rights, land rights and environmental defenders,” but it falls short with regards to adequately addressing grievances. In October 2020, Indonesian communities reached out to P&G leadership to report grave human rights violations and deforestation by palm oil companies in P&G’s upstream supply chain. These communities urged P&G to suspend its purchases of crude palm oil from these companies and asked to meet with P&G representatives without the direct supplier present—an effort to better guarantee the safety and security of the impacted communities following their long history of conflict with the supplier. P&G representatives refused.

**P&G remains over-reliant on third-party certification systems to verify the sustainability of its supply chains.** The company’s forestry practices report makes clear that P&G will continue to depend on third-party certification systems to measure its success in protecting forests and human rights. However, not all certification systems offer the same guarantees of sustainability in pulp and palm oil sourcing, and even the strongest certification systems need companies that rely on them to adopt their own policies and independent verification procedures to reinforce and strengthen the integrity of these systems. P&G has yet to adopt due diligence practices that would provide additional protection against these challenges.

• P&G policy requires that 100 percent of its wood pulp be certified by a third-party certification system. It claims that all of its forestry certifications, which include the aforementioned FSC, Sustainable Forestry Initiative (SFI), and Programme for the Enforcement of Forest Certification (PEFC) “ensure forests are responsibly managed.” While FSC does require suppliers to meet robust environmental standards, SFI and PEFC are both industry led and contain glaring loopholes that seriously undermine sustainable forestry. Several companies, including Disney, Trader Joe’s, and Office Depot, have actively distanced themselves from SFI certification.

• The most significant step P&G outlines in its forestry report is its commitment to acquiring 75 percent of its pulp from sources certified by FSC by the end of 2021 and 100 percent of its pulp from FSC-certified sources by 2030. As FSC is more rigorous than

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53 P&G, “ESG for Investors.”
55 Stand.earth, List of companies that have moved away from SFI, accessed October 4, 2021, https://www.stand.earth/page/past-achievements/great-bear-rainforest/these-businesses-made-right-decision-forests-they%E2%80%99ve
other certification systems, this is a small step for P&G, but it is not enough. Vast swaths of critical caribou habitat can be destroyed between now and 2030, and even FSC does not entirely prohibit the destruction of primary forests. In addition to sourcing only from FSC-certified forests, P&G should also prioritize how to reduce its reliance on forest fiber, and incorporate recycled content and sustainable alternative fibers into its products.

- P&G has committed to using only palm oil products certified by Roundtable on Sustainable Palm Oil (RSPO) by the end of 2021. However, RSPO is not a replacement for company due diligence, particularly as the certification system itself has fallen short in delivering on environmental and social sustainability. Some of P&G’s direct suppliers have been implicated in serious environmental, social, and governance scandals, despite being RSPO members, and one 2018 study found that RSPO-certified plantations perform no better than non-RSPO estates on a series of sustainability metrics, including species and habitat conservation and social benefits to local communities. A 2019 article in the Guardian reported that “a product can earn a ‘certified sustainable’ label even if 99% of the palm oil it includes came from freshly deforested land.”

P&G remains exposed to significant reputational, market, regulatory, and operational risks. As outlined in the 2020 shareholder proposal, companies that fail to adequately mitigate deforestation and forest degradation in their supply chains are vulnerable to systemic and material financial risks.

- **Reputational risks:** P&G attracts negative public attention from environmental organizations, civic society groups, and major media outlets for failing to distance itself from wood pulp and palm oil suppliers linked to destroying climate-critical forests

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57 P&G, “ESG for Investors.”
63 Margie Mason and Robin McDowell, “Palm Oil Labor Abuses Linked to World’s Top Brands, Banks,” AP News, September 24, 2020,
and violating human rights in Canada and Southeast Asia. A September 2021 CBS
Mornings segment, for example, featured descendants of P&G founders discussing
concerns about the company’s approach to sustainability issues, and a 2021 buyer’s
guide and scorecard produced by Natural Resources Defense Council gave all of P&G’s
at-home tissue products a grade F. The continued publication of new reports on P&G’s
unsustainable sourcing methods will only further tarnish the company’s reputation as a
responsible, trustworthy brand and perpetuate significant reputational risk. Indeed, in
2019, risk analysis platform Chain Reaction Research calculated P&G’s potential
reputational losses related solely to its palm oil sourcing at $41 billion, or 14 percent of
equity, and noted “this dwarfs the cost of solutions.”

● **Market risk:** As consumers increasingly seek more environmentally and socially
responsible choices, P&G will continue to cede competitive advantage to peers making
stronger commitments to sustainability. Consider Kimberly-Clark, which aims to halve its
sourcing from natural forests by 2025 and to dramatically increase its use of alternative
and environmentally-preferred fibers in its products; the company now also offers its
Scott Essential Standard Roll, made from 100 percent recycled content and at least 50
percent post-consumer recycled content, online directly to consumers. Meanwhile, the
Forest 500, which ranks the most influential businesses in forest-risk commodity supply
chains, ranks P&G beneath Kimberly-Clark and other peers like Unilever.

● **Regulatory and operational risk:** P&G supply chains remain exposed to potential loss
from interruptions resulting from regulatory action and enforcement related to human
rights violations, illegal deforestation, and the destruction of at-risk species habitat.

  o As noted, this is playing out in Malaysia, where P&G palm oil suppliers FGV
  Holdings and Sime Darby Plantations have been issued withhold release orders by
  the U.S. Customs and Border Protection. Meanwhile, pressure will continue to

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68 Vinyard, “P&G Stuck in the Past in a Shifting Tissue Marketplace.”

mount in Canada where P&G has yet to require FPIC of its suppliers, as discussed, or to set time-bound goals to stop sourcing from suppliers that fail to meet habitat intactness thresholds established by the Canadian federal government to protect boreal caribou. Should P&G be required to take action on these issues, its boreal pulp supply could face significant disruption, reducing its product availability.

- P&G’s response to sustainability and human rights concerns varies from one commodity to another. P&G does not source pulp, for example, from Indonesia, where many red flags have been raised by environmental and civic society groups about one of the country’s largest pulp suppliers, Asia Pulp & Paper (APP). But it does source palm oil products from Sinar Mas Group, which owns APP, continuing to fund unsustainable and unethical practices across sectors. This inconsistent approach to managing sustainability and human rights issues puts the company as a whole at risk.

In short, nearly one year after investors resoundingly called on P&G to address its role in jeopardizing primary forests, human rights, and the global climate, company leadership has failed to take substantive action. It is clear that Braly has taken few steps to remediate the issues facing P&G and is ineffective when it comes to confronting the gravity of environmental and social risks and promoting measures that protect the reputation and value of the P&G brand. Shareholders are urged to vote AGAINST the re-election of Angela Braly to P&G’s board of directors.

For more information, please contact Shelley Vinyard (svinyard@nrdc.org).

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70 Lewis & Jordan, “By a Thousand Cuts: How Powerful Companies’ Wood Sourcing Is Degrading Canada’s Boreal Forest.”