November 30, 2022

Ms. Renee Jones, Director
Mr. Michael Seaman, Chief Counsel
SEC Division of Corporation Finance
100 F Street, NE
Washington, DC 20549

Mr. Gurbir S. Grewal, Director
SEC Division of Enforcement
100 F Street, NE
Washington, DC 20549

Dear Ms. Jones, Mr. Seaman, and Mr. Grewal,

We write to recommend that the Division of Corporation Finance and the Division of Enforcement evaluate certain public disclosures by Procter & Gamble (“P&G”).

The Natural Resources Defense Council (NRDC) has worked to preserve primary forests and halt deforestation and forest degradation for more than twenty-five years. In the course of our research and advocacy, we have been scrutinizing disclosures by P&G, and have become concerned about certain company statements regarding the P&G prohibition on forest degradation in its supply chains for sourcing of wood pulp.

We have concluded, based on available evidence summarized in this letter, that the Company’s assertions that it prohibits degradation are implausible. We see evidence that the disclosures are reaching and being used in the capital markets, including in ESG ratings and publications that likely affect investment, proxy voting and stewardship decision-making.

Particularly in light of current SEC and market concerns regarding ESG greenwashing, many investors consider environmental factors such as forest degradation in their investment decisions. In addition, in 2020, 67% of P&G’s investors voted in favor of a resolution asking the company “issue a report assessing if and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forest in its supply chains.” This is indicative of the materiality of these claims to investors.

Therefore, we believe it is appropriate for the SEC to evaluate whether the company’s public statements of a commitment to prohibiting forest degradation are materially misleading within the meaning of the securities laws.

1 NRDC (Natural Resources Defense Council) is an international nonprofit environmental organization with more than 3 million members and online activists. Since 1970, our lawyers, scientists, and other environmental specialists have worked to protect the world’s natural resources, public health, and the environment.
The Company’s assertions regarding forest degradation

In its Forest Positive Sourcing Policy, Procter & Gamble (P&G) has published assertions that it “does not allow deforestation and does not permit forest degradation in its sourcing.” The company’s July 2022 Forestry Practices Update further emphasizes this claim, stating the company “holds suppliers accountable to its Wood Pulp Sourcing Policy, which prohibits... Forest degradation.”

From P&G Forest Positive Sourcing Policy October 2021

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Background

The International Union for Conservation of Nature (IUCN) states, “Deforestation and forest degradation are the biggest threats to forests worldwide.”6 “Deforestation” refers to the conversion of forest to non-forest land such as by road building or urban development; “degradation” is defined by the Accountability Framework Initiative (AFI) (the definition P&G says it employs) as “Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem’s capacity to supply products, support biodiversity, and/or deliver ecosystem services.”7 These impacts to ecosystem services can include depletion of forest ecosystem carbon stocks and a reduction in the quality of the provision of clean water.8 Degradation can harm forest ecosystems in many ways, including by threatening biodiversity and contributing to climate change.9

Beyond environmental concerns, deforestation and forest degradation are exacerbating climate change, driving biodiversity loss, and decreasing ecosystem adaptability to changing climate conditions. As such, they also are posing systemic economic risk by disrupting supply chains, including for forest products.10

P&G’s claim that it does not allow forest degradation appears implausible

We see substantial evidence that P&G’s sourcing of wood pulp continues to drive degradation, despite claims to the contrary. Contrary to stated policies and commitments that it “does not allow deforestation and does not permit forest degradation in [its wood pulp] sourcing”11 P&G’s own wood pulp disclosures show that it continues to drive the degradation of primary forests in the Canadian boreal forest. P&G utilizes three certification programs. One of the third-party standards that P&G references to support its claims of prohibiting forest degradation in its wood pulp sourcing,12 the Forest Stewardship Council (FSC), provides some

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forest protection, but P&G’s sourcing under the three certification systems does not prohibit or prevent all degradation. In addition, the extent of the company’s other disclosed engagement with the supply chain is inadequate to demonstrate that it is fulfilling the no degradation claim. In short, in our opinion, the available evidence demonstrates that the assertion that P&G sourcing prohibits degradation appears to be implausible. At best, the Company’s anti-degradation policies are a work-in-progress that expressly acknowledge perpetuating practices that are, by definition, degradation, so it is inaccurate to claim they prohibit degradation.

**P&G’s continued sourcing from IFLs and boreal caribou habitat is a form of forest degradation**

P&G’s own disclosures in its July 2022 Forestry Practices Update indicate that it sources from suppliers whose managed land overlaps with intact forest landscapes (IFLs), as well as critical boreal caribou habitat.13 IFLs are stretches of primary forest with a minimum area of 500km.2 Primary forests are any forests that have never been industrially disturbed and have developed following natural disturbances and under natural processes.14 Primary forests, inclusive of IFL’s, are recognized as being irreplaceable in terms of biodiversity, carbon storage, and provision of ecosystem services.15

**Industrial logging in primary forests, whether in IFLs, boreal caribou habitat (a good proxy for primary forests),16 or other primary forest areas, is a form of forest degradation.** As more than 100 scientists recently wrote to the signatories of the Glasgow Leaders’ Declaration on Forests and Land Use:

“Whether examining degradation through the lens of carbon storage, native species habitat, ecological complexity, water filtration and other services, or even future timber value, the industrial logging, particularly clearcutting,12 of primary forests indelibly and significantly depletes or mars the forest’s original characteristics, no matter the subsequent forest regeneration practices…As a clear and egregious example of forest degradation, the commercial logging of primary forests is incompatible with achieving the preservation of a safe climate and stable biodiversity.”18

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18 “Letter from Scientists to the Signatories of the Glasgow Leaders’ Declaration on Forests and Land Use,”
P&G’s sourcing from suppliers engaged in this practice makes the company complicit in the degradation of these irreplaceable ecosystems and makes a claim of prohibiting forest degradation inaccurate.

P&G has not prohibited sourcing from IFLs. In the supplement to its 2021 Forestry Practices Report, P&G states that it will continue sourcing wood pulp from IFLs for its products, which include throwaway items like Charmin toilet paper and Bounty paper towels. It stated that there is currently “uncertainty” in its ability to end sourcing from IFLs, as achieving that requires actions from other actors in their supply chains, and argued that it cannot expect its suppliers to avoid fibers from IFLs completely.

Furthermore, the Company’s disclosures indicate that, in Canadian forests, from which P&G sources 34% of its wood pulp, P&G’s suppliers’ managed land overlaps with boreal caribou habitat. Boreal caribou habitat is a good proxy for primary forests, as boreal caribou rely on undisturbed primary forest for their survival. In a 2022 update, reflecting on statistics from the first half of 2022, P&G states, “[W]e estimate that our suppliers now have 59% undisturbed caribou habitat on lands they manage.” This is evidence that P&G may be sourcing from primary forest areas that constitute boreal caribou habitat, tying the Company to the degradation of these forests. In addition, according to Canada’s Boreal Caribou Recovery Strategy, this level of disturbance gives the impacted herds less than a 60% chance of long-term survival. As significant, negative changes in species composition constitute degradation, this also ties the P&G’s suppliers linked to forest degradation.

P&G’s statements about its sourcing from IFLs are potentially misleading

As noted above, P&G claims that, in its wood pulp supply chain, less than 1% of the area its suppliers manage overlap with IFLs. Elsewhere on its ESG portal, P&G claims that it sources less than 1% of its wood pulp from IFLs. These are both potentially misleading statistics, and November 2022, https://www.nrdc.org/sites/default/files/media-uploads/scientists_letter_to_glasgow_declaration_signatories_nov_2022_final.pdf.

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the latter claim mischaracterizes what its supply chains analysis actually shows.

As P&G outlines, it calculated its IFL impact through “overlaying our wood pulp sourcing with IFLs.”29 This entailed looking at the overlap between IFL areas mapped by Global Forest Watch and P&G suppliers’ tenures. This methodology does not provide a reliable representation of the volume of pulp P&G is sourcing from IFLs. All that the claim demonstrates is that IFLs comprise 1% of the total land its suppliers manage. Since suppliers do not source uniformly across their managed tenures, this statistic cannot make volumetric claims about how much P&G sources from IFLs. As a result, P&G cannot make a legitimate claim, based solely on this analysis, that it sources less than 1% of its fiber from IFLs.

This is a particularly noteworthy distinction given that P&G 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.”30 This should immediately call into question the validity of the company’s claim that it only sources a small amount of wood pulp from IFLs.

Furthermore, the 1% figure in both claims is global, not particular to Canada, which has the largest IFL area out of any country, and in 2000, contained 23.7% of the world’s global IFL area.31 Other regions like the United States, from which P&G sources 28% of its pulp, have much a much smaller percentage of IFLs. In addition, P&G sources significant quantities of its pulp from plantations disclosing, for example, that 100% of its sourcing from Brazil is plantations.32 As a result, P&G’s IFL statistic is a poor representation of the company’s IFL impact in geographies like Canada that still have large IFL areas.

Finally, P&G’s latest description of its statistic says that the “less than 1%” figure applies to “areas its suppliers manage.” If, in fact, P&G is only counting sourcing when it occurs from suppliers who manage their own tenures, exempting suppliers who source from the tenures of other companies, this would increase the potential for this statistic to mislead investors.

P&G has not fully mapped where its sourcing overlaps with primary forests — despite calls for it to do so.

P&G also, according to its own disclosures, does not have the requisite data to make a plausible claim of prohibiting forest degradation. While P&G has maps for IFLs, as the Company notes, “A credible third party has not yet mapped primary forests in dry regions or tundra forests where P&G sources 100% of our wood pulp.”33 As a result, P&G does not have information about the full extent to which it is sourcing from and degrading primary forests.

Additionally, Canadian policy does not prohibit sourcing from primary forests. Furthermore, an October 2021 analysis of the largest Canadian pulp suppliers found that P&G, among other companies, sources wood pulp from mills that are largely failing to meet key

33 Procter & Gamble, “Forestry Practices Update July 2022.”
environmental standards, including those aimed at protecting primary forests.\textsuperscript{34}

Because it lacks knowledge of the extent of its sourcing from primary forests and its suppliers do not have policies preventing sourcing from primary forests, P&G has insufficient information to make a credible assessment of the degree to which it is driving forest degradation. As a result, P&G’s impact on primary forests, and therefore its degradation footprint, may be even higher than the IFL and boreal caribou habitat data in its corporate disclosures.

**P&G remains over-reliant on third-party certification systems to verify the sustainability of its supply chains.**

P&G’s non-degradation claims are accompanied by disclosures stating that the company relies on certain forest certification systems to measure its success in meeting many of its forests and human rights commitments.\textsuperscript{35} P&G policy requires that 100 percent of its wood pulp be certified by a third-party certification system.\textsuperscript{36} It claims that all of its forestry certifications, which include FSC, the Sustainable Forestry Initiative (SFI), and the Programme for the Enforcement of Forest Certification (PEFC) ”ensure forests are responsibly managed.”\textsuperscript{37}

However, the requirements imposed by the identified certifiers do not guarantee against forest degradation. Instead, P&G would need to find another basis in its own due diligence to demonstrate that it effectively prohibits forest degradation in its supply chain. Although the company notes in its Forest Positive Sourcing Policy that its “commitment to increasing the use of third-party certification lowers the risk of deforestation and forest degradation within our supply chain,” one quarter of P&G’s wood pulp is sourced from forests covered by weak, industry-dominated certification systems,\textsuperscript{38} SFI and PEFC, which endorses both the SFI and Canadian Standards Association (CSA) certification systems.\textsuperscript{39} SFI and CSA have been widely lambasted by environmental groups for sustainability requirements that are inadequate, vague, and risk certifying operations that violate Indigenous rights and destroy large areas of primary forests.\textsuperscript{40}


\textsuperscript{35} Procter & Gamble, “P&G’s Forest Positive Sourcing Policy.”


\textsuperscript{38} Ibid.


distanced themselves from SFI certification. P&G notes that it aims to achieve 100 percent certification via the more reputable Forest Stewardship Council (FSC) by 2030. However, even P&G’s FSC commitment, which also allows for sourcing from forests certified under the less rigorous FSC Controlled Wood standard, does not prohibit the degradation of primary forests—neither now nor in 2030.

It is notable that P&G competitor Kimberly-Clark similarly sources only wood pulp certified under PEFC, SFI, or FSC—yet it does not, in any of its public materials, claim to avoid degradation.

P&G’s reliance on third-party certification to guarantee its prohibition on forest degradation is also out of alignment with many due diligence best practices in the sector. For example, the Organisation for Economic Co-operation and Development (OECD) and the Food & Agriculture Organization (FAO) recently published a draft handbook on corporate due diligence procedures for forest-related risks that articulated that third-party certification can be an important source of supply chain information, but should not be a “substitute” for an enterprise’s own due diligence practices. In addition, as discussed below, a number of pending regulations to address forest degradation in the marketplace do not consider third-party certification to be sufficient to demonstrate compliance.

Therefore, P&G’s reliance on these third-party certifications as what appears to be its principal mechanism for preventing deforestation and degradation is insufficient to support the claim that it prohibits forest degradation in [its] sourcing.

More company disclosures are needed to understand P&G’s due diligence

Due to the shortcomings of third-party certifications outlined above, and the inability of those certifications to ensure the fulfillment of the Company’s statement that it prohibits forest degradation, further disclosures from P&G would be necessary to allow evaluation of whether there is other due diligence being conducted by the company to ensure fulfillment of the stated commitments.

While P&G does have a grievance process for noncompliance with its policies, including a

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public Grievance Tracker\textsuperscript{45} for its wood pulp supply chain, this grievance process is insufficient to guarantee a prohibition on forest degradation. Most fundamentally, P\&G would not be positioned to identify violations of this policy. This is due, first, to the fact that P\&G appears to have adopted an untenable interpretation of the definition of “degradation.” The Company does not appear to deem industrial logging in IFLs and boreal caribou habitat to be mutually exclusive with a claim of “no degradation” given that it discloses its continued sourcing from IFLs and boreal caribou habitat, while, in the same document, reiterating its prohibition on degradation. This is fundamentally incompatible of reasonable definitions of the term “degradation,” which includes industrial development in these regions.

P\&G’s statements that suggest that it believes its third-party certifiers prohibit degradation also indicates that the company is not applying the term “degradation” appropriately. Furthermore, in conversations with NRDC, P\&G representatives clarified that they do not, in fact, treat industrial logging in primary forests, inclusive of IFLs and boreal caribou habitat, as, by definition, degradation, and communicated an interpretation of the term that did not resemble its commonly understood definition. P\&G has been made aware of concerns with its interpretation, including in conversations with NRDC, but nevertheless opted to continue to articulate its claim that it prohibits degradation in subsequent disclosures.

In addition, P\&G, per its own disclosures, lacks maps of primary forest areas in Canada.\textsuperscript{46} Given that knowledge of the location of primary forests is a prerequisite to identifying suppliers’ impact on these forests and, therefore, degradation, P\&G does not have sufficient information to identify or respond to instances of noncompliance. Given that the company has not conducted rigorous primary forest mapping, investors would need to understand how the company can support its claim that P\&G is not degrading primary forests.

In addition, the grievances identified in P\&G’s Grievance Tracker do not support the claim that P\&G is responding to noncompliance in a way that addresses degradation.\textsuperscript{47} In the three Canada-specific grievances P\&G has indicated responding to with changes to their supply chains, the company does not confirm elimination from the concerned suppliers, only a “significant reduction” in sourcing. For two of the items, it also did not indicate from which suppliers it increased its sourcing to make up for the reduced sourcing from the noncompliant suppliers, meaning, from the Grievance Tracker alone, it is impossible to discern whether P\&G’s new suppliers are themselves in compliance with its policy. Furthermore, given that P\&G has disclosed ongoing impacts on IFLs and boreal caribou habitat, yet these do not appear in the grievance tracker as instances of noncompliance, we are highly skeptical that the company is actually fulfilling its “no degradation” commitment.


\textsuperscript{46} Procter & Gamble, “Forestry Practices Update July 2022.”

\textsuperscript{47} Procter & Gamble, “Wood Pulp Grievance Tracker.”
Misleading claims regarding deforestation place the company’s reputation at risk

The company acknowledges reputational risk as a material concern in its 2022 Annual Report. In fact, the Company has already attracted negative public attention from environmental organizations, civil society groups, and major media outlets for failing to distance itself from wood pulp suppliers linked to destroying climate-critical forests in Canada. A September 2021 CBS Mornings segment, for example, featured descendants of James Gamble, a P&G founder, discussing concerns about the company’s approach to sustainability issues, and a 2022 buyer's guide and scorecard produced by NRDC gave all of P&G’s at-home tissue products a grade F—the only of the three largest U.S. tissue producers with this distinction. The report also confirmed that P&G does not avoid sourcing from primary forests. 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.

In addition, the Company has disclosed the materiality of risks associated with reliance on third parties, including within the supply chain. Although the disclosures in the Company’s SEC filings on reliance on third parties do not specifically delve into the details of the company’s forest sourcing policies, they imply that the reliance on third parties poses risks to the company’s brands and reputation.

Those third-party relationships are quite significant in the context of wood pulp sourcing and forest degradation. As one of the world’s largest consumer goods companies, P&G is a significant financial supporter of third-party supply chain operations degrading forests through

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48 Procter & Gamble, “2022 Annual Report,” 2022, https://us.pg.com/annualreport2022/. “If the reputation of the Company or one or more of our brands erodes significantly, it could have a material impact on our financial results… The success of our brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers…. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, ingredients, efficacy, environmental or social impacts or similar matters, sentiments toward the Company or our products could be negatively impacted, and our results of operations or cash flows could suffer….”


52 Ibid.

53 Procter & Gamble, Form 10-K, 2022, https://d18m0p25nwr6d.cloudfront.net/CIK-0000080424/1a1b8ef0-7de1-4b8e-be29-46b22c2dd110.pdf (“We rely on third parties in many aspects of our business, which creates additional risk.”).

Due to the scale and scope of our business, we must rely on relationships with third parties, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, for certain functions… While we have policies and procedures for managing these relationships, they inherently involve a lesser degree of control over business operations, governance and compliance, thereby potentially increasing our financial, legal, reputational and operational risk.

54 See fn 50.
wood pulp, such that the claim of no degradation relying on third party actions and disclosures could be materially misleading to ESG-oriented investors concerned with systemic impacts on forests.

The Company has invested significant resources in building a reputation for sustainability\(^{55}\) given the market demand and positioning of the company as a sustainable investment. Therefore, any misleading communications or omissions on forest degradation can be material to investors, both because of their potential impact on enterprise value and on managing the systemic risks associated with forest impacts.

P&Gs Forest Positive Sourcing Policy and July 2022 Forestry Practices Update, enclosed as attachments to this letter, are important documents for ESG-oriented asset owners and managers, and ESG rating agencies including critical market intermediaries like Forest 500. As such, we believe the disclosures are an important part of the mix of information available to investors, and may have significant impact on investor decision-making. Because the disclosures have been utilized in the investing marketplace through initiatives such as Forest 500, we believe they are within the ambit of ESG investing decisions and merit close scrutiny.

As we have documented above, we believe that the statement that “P&G…does not permit forest degradation in our sourcing” is misleading in and of itself, and further that it is misleading to fail to disclose in conjunction with such statement that the referenced certification systems, which appear to be the core mechanism for enforcing that commitment, do not prevent degradation by certified supply chain companies.

These forest sourcing issues are also germane to the company’s climate commitments. In September 2021, the company set a new ambition to achieve net zero greenhouse gas emissions across its operations and supply chain, from raw material to retailer, by 2040.\(^{56}\) The Company’s climate change-related disclosures\(^{57}\) include “purchased goods and services.” It is unclear from the existing reporting whether or not forest degradation from logging is included in this climate reporting. However, a recent statement from a P&G representative in the media\(^{58}\) seems to indicate that the company does not recognize or take responsibility for emissions from logging operations, despite the fact that emissions from logging, particularly in primary forests, are significant and, in Canada, comprise more than 10 percent of the country’s total annual greenhouse gas emissions.\(^{59}\)

\(^{55}\) See, e.g., Procter & Gamble, "ESG for Investors."
**Forest impact issues are material to P&G shareholders**

A 2020 shareholder resolution at the Company put forth by Green Century Equity Fund passed by a landslide 67 percent of voting shareholders, including BlackRock, Vanguard, and State Street. The resolution urged P&G to report on how it could increase its efforts to eliminate deforestation and intact forest degradation from its supply chains, and was the first time a proposal related to forest impacts passed 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.

Yet in our assessment, P&G leadership has neither significantly 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. Following the 2020 vote, P&G published an ESG platform for investors, a Forestry Practices Report, and additional materials that outline its sourcing practices; 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—including, as noted, P&G’s impact on forest degradation. 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 and even rewarded board members with bonuses for laudable ESG performance in 2022.

In addition, in the more than two years following the shareholder vote, to our knowledge, P&G has failed to invest in primary forest maps needed to know the full

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65 P&G, "ESG for Investors."

66 Procter & Gamble, “P&G’s Forest Positive Sourcing Policy.”


extent to which it is driving forest degradation. Yet, there is ample evidence that the certification programs cited and utilized tolerate degradation.

**Market risk:** As consumers increasingly seek more environmentally and socially responsible choices, in the absence of meaningful action, P&G will risk ceding its 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, with 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 above Kimberly-Clark and below other peers like Unilever.

**Regulatory** and operational risk: P&G supply chains remain exposed to potential disruption resulting from regulatory action. Emerging legislation at the state level includes the New York Deforestation-Free Procurement Act, which, if passed, will require state contractors to ensure there is no tropical or boreal deforestation or primary forest degradation in its supply chains. In our assessment, P&G does not meet the bill’s requirements for demonstrating avoidance of forest degradation. We conclude that P&G also does not satisfy the requirements of a similar, though non-binding, measure enacted by Colorado’s governor through executive order this year.

Internationally, the European Union has proposed regulations to restrict the import of agricultural commodities, including timber and derivative products, grown on land that was deforested or degraded after 2020, and operators will be required to provide strict traceability of the geographic coordinates where commodities are produced. The Glasgow Leaders’ Declaration on Forests and Land Use, which was signed by more than 140 countries in 2021, commits its signatories to take action to halt and reverse land degradation and deforestation by 2030. As more than 100 scientists recently highlighted, this commitment to ending land degradation clearly includes ending

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71 Vinyard, "P&G Stuck in the Past in a Shifting Tissue Marketplace."

72 Forest 500, “Company Rankings,” 2022 [https://forest500.org/rankings/companies](https://forest500.org/rankings/companies).


75 State of Colorado, “Executive Order: Amending and Restating Executive Order D 2019 016 Concerning the Greening of State Government,” April 2022, [https://drive.google.com/file/d/1ip_uhAXPAJYmZ9zGysJLR0ZfJO8ynIA/view](https://drive.google.com/file/d/1ip_uhAXPAJYmZ9zGysJLR0ZfJO8ynIA/view).


industrial logging in primary forests.\textsuperscript{78}

**Applicable Law**

SEC Rule 10b-5 states that:

> It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange,

(a) To employ any device, scheme, or artifice to defraud,

(b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading…

Jurisprudence under Rule 10b-5 provides that, a stated or omitted fact is material if “there is a substantial likelihood that a reasonable shareholder would consider it important” in making investment or voting decisions and if there is a substantial likelihood that the disclosure or omission would have been viewed by the reasonable investor as “having significantly altered the ‘total mix’ of information made available.”\textsuperscript{79}

**Investors appear to be relying on P&G’s claims to their detriment**

We believe there is a substantial likelihood that the overstated commitments and sourcing claims by P&G are translating to distorted information reaching investors, and that such information is relevant and important to ongoing investment decisions.\textsuperscript{80}

Often in making investment decisions, investors concerned with environmental risk will rely on ESG ratings or publications to make environmentally and socially responsible investment choices. Concerningly, there is evidence of some of these publications citing P&G’s unsubstantiated claims that it prohibits degradation and deforestation in their sourcing. For instance, Forest 500, a project of Global Canopy, identifies the 350 companies and 150 financial institutions with the greatest exposure to tropical deforestation risk, and annually assesses them on the strength and implementation of their deforestation and human rights commitments. P&G is ranked on Forest 500, and Forest 500 utilized the aforementioned disclosures by P&G in its rating determination. In 2021, Forest 500 rated P&G a 4/6 for its details on its commitment to protect priority forests. The website specifically cites P&G’s claim that “P&G does not allow deforestation and does not permit forest degradation in our sourcing”

\textsuperscript{78} “Letter from Scientists to the Signatories of the Glasgow Leaders’ Declaration on Forests and Land Use.”
\textsuperscript{79} Basic Inc. vs. Levinson, 485 U.S. at 231-32 (quoting TSCIndustries, Inc. v. Northway, Inc, 426 U.S. at 449).
in its explanation for the company’s rating.\textsuperscript{81}

From Forest 500 evaluation of P & G commitments

The Forest 500 rating system that integrated this “commitment” is utilized by various investment organizations in their own risk assessments as well as in publications made available to investors. For example, BNP Paribas Asset Management relies on Forest 500 data in its footprinting work that is utilized in ESG-related determinations. In a report, \textit{Sustainable by Nature: Our Biodiversity Roadmap}, BNP Paribas utilized data from Forest 500 to determine the strength of a company’s forest policy, commitments, and traceability.\textsuperscript{82} The intention behind the report was to evaluate portfolio exposure to forest impacts.

We readily identified this pathway of the misleading information from the company to the investment marketplace. We would urge the SEC to further examine the pathways by which this information is reaching the market, and whether it is affecting the “total mix” of information in a

\textsuperscript{81}https://forest500.org/rankings/companies/procter-gamble-co
\textsuperscript{82}https://www.bnpparibas-am.lu/professional-investor/intermediary-fund-selector/outlooks-research/sustainable-by-nature-our-biodiversity-roadmap-en/.
manner that reaches materiality under the Commission’s interpretation of the securities laws.

**Conclusion and recommendation**

We believe it is reasonable to conclude that P&G’s assertions that it does not allow forest degradation are affecting investment decisions.

The Company’s disclosures that relate to land areas in which supply chain activity is being allowed are sufficient to conclude that the company is not, in fact, prohibiting degradation. Neither the certification systems that the company relies upon, nor its limited disclosed due diligence, appear to contradict our conclusion that substantial forest degradation is likely occurring in the Company's supply chain.

In short, the notion that current P&G practices currently “prohibit forest degradation” is implausible based on available evidence.

Therefore, we believe that the SEC should evaluate these disclosures and require P&G to either cease making the claim to prohibit forest degradation or provide supplementary disclosures to align with the realities of its practices. Further, P&G should be required to affirmatively disclose that the selected certification systems do not prevent forest degradation.

For the reasons outlined above, we recommend that the SEC evaluate whether these claims by P&G are materially misleading to investors as significantly altering the total mix of information within the meaning of the securities laws, consider any appropriate enforcement action, and as a minimum, require the Company to make corrective disclosures.

Thank you for your time and your review. We look forward to hearing your evaluation of the matter and would be glad to meet with you to discuss further or answer any questions.

Sincerely,

Jennifer Skene
Natural Climate Solutions Policy Manager, International Program
Natural Resources Defense Council

CC: Sanford Lewis, Shareholder Rights Group; Jon Moeller, Procter & Gamble; Andre Schulten, Procter & Gamble
Appendix: P&G Materials
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. The cutoff date after which deforestation or conversion is considered non-compliant is November 1, 1994. 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 areas 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).

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 required to have the necessary policies and procedures in place to follow P&G’s Responsible Sourcing Guidelines for External Business Partners. The Guidelines explain the global standards to be followed on behalf of P&G. External business partners, their subcontractors and suppliers are required to be informed of and share P&G’s commitment to these standards. P&G supports 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.

FREE, PRIOR AND INFORMED CONSENT

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. On an ongoing basis, we require our suppliers to have the necessary mechanisms in place to respect, protect, and promote FPIC, particularly in the case of Indigenous Peoples. 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®
P&G’s Forest Positive Sourcing Policy

(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. Critical criteria essential to sustainable forest management evaluated during these audits include, but are not limited to, high conservation value areas, protection of endangered species, UNDRIP and/or FPIC for Indigenous Peoples and local communities, and deforestation or conversion.

These audits must be conducted by companies accredited to conduct forest management audits by Assurance Services International or the International Accreditation Service such as Preferred by Nature, PwC, SCS Global Services, SGS, SAI Global, and KPMG.

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 protects 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.
P&G continuously reviews wood pulp suppliers to ensure they provide us with sustainably sourced fiber and follow this policy. To evaluate compliance suppliers are required to participate in:

- Semiannual sustainability desk-side audits
- Biennial forest field assessments including management plan appraisal
- Quarterly evaluations of sustainability efforts and plans.

These processes include reviews of deforestation, biodiversity, high conservation value areas, and Indigenous Peoples’ rights, including FPIC. P&G meets with relevant Indigenous People and local communities to understand their perspective on the supplier’s free, prior, and informed consent process to ensure the engagement is taking place in a culturally appropriate manner, place, and time. When necessary, we will bring in expert third parties to assist in these evaluations.

The P&G Business Conduct System and the Worldwide Business Conduct Helpline are other mechanisms P&G uses to monitor compliance. It is a grievance system to allow those both inside and outside the company to raise concerns, with or without identification.

**ADDRESSING FORESTRY GRIEVANCES**

Alleged non-compliances to this and any P&G policies identified during any of these activities will follow our Forestry Grievance Process. This three-phase process of Evaluate, Investigate, and Remediate allows P&G to ensure our policies are being followed. Potential actions by P&G when non-compliances are confirmed are to engage, suspend, or terminate supplier relationships. Scale, scope, and irremediability of the allegation are used to determine the level of P&G response. More details can be found in the Forestry Grievance Process.

We have and will continue to share the results and status of investigations, plans, and actions taken at P&G’s ESG for Investors website. All public disclosures will maintain confidentiality of anonymous grievance submitters and proprietary information.
FORESTRY PRACTICES UPDATE JULY 2022

INTRODUCTION

P&G conducts ongoing assessments to identify opportunities to increase the scale, pace, and rigor of our forestry efforts. This report, focused on wood pulp, summarizes our continued progress in reaching our ambition to keep forests as forests for generations to come.

As part of our commitment to responsible forestry management practices, P&G provides a high level of transparency on wood pulp via our ESG portal and maintains an active dialogue with a number of external stakeholders to understand their views. The purpose of this report is to share updates on the following topics that are important both to our stakeholders and us:

- Protecting Primary Forests and Intact Forest Landscapes
- Protecting Woodland Caribou
- Free, Prior, and Informed Consent
- Non-Compliance Protocols
- Forest Certification
- Non-Wood Fiber Innovation

While this report shares an update on wood pulp, we encourage interested stakeholders to read more about our comprehensive efforts to ensure responsible forestry practices in our supply chain at our ESG Portal: Forestry.
PROTECTING PRIMARY FORESTS & INTACT FOREST LANDSCAPES

P&G aims to eliminate intact forest landscapes (IFLs) from its wood pulp supply chain.

- IFLs have been mapped by a credible 3rd party Global Forest Watch, and we have overlayed our wood pulp sourcing with IFLs.
- We have been working toward reducing IFLs in our supply chain and have made significant progress – resulting in less than 1% of the area our suppliers manage overlapping with IFLs.

To make further IFL reductions, P&G will:

- Advocate for permanent IFL protection by the Canadian government. We will collaborate with suppliers, certification systems, NGOs, and other companies to help achieve this important step.
- Activate regular satellite monitoring to identify suppliers operating in IFLs for potential forest cover loss.

While we will pursue this IFL ambition, there is uncertainty in our ability to achieve it given it will require action by parties outside of our control. Based on our extensive sourcing experience and dialogue with suppliers and stakeholders, we cannot practically dictate that our suppliers not source wood pulp that may include a small amount of wood fibers from IFLs. The government has influence on harvest locations and, in some cases, explicitly directs our suppliers harvesting on these lands. The harvesting of these trees is for use in many industries including lumber, biomass, paperboard, wood pulp, etc. P&G only sources 3% of wood pulp out of Canada and less than 1% of wood products from Canada.

P&G aims to protect primary forests.

Primary forests in tropical forest regions have been mapped, and P&G does not source wood pulp from these areas. A credible 3rd party has not yet mapped primary forests in dry regions or tundra forests where P&G sources 100% of our wood pulp. We support third-party, credible mapping efforts to aid our ability to understand their geographic locations, develop plans, and enable ongoing monitoring to address wood pulp sourcing from these areas.

PROTECTING WOODLAND CARIBOU

Boreal caribou are an important indicator of a healthy ecosystem within Canada’s boreal forest. P&G supports the recommendations made in the Canadian government’s Boreal Caribou Recovery Strategy (refer to Note), which includes an aim for all forest operations to adhere to 65% undisturbed caribou habitat.

We have made significant progress toward the Boreal Caribou Recovery Strategy’s target. Based on our most recently available data, we estimate that our suppliers now have 59% undisturbed caribou habitat on lands they manage (first half 2022 sourcing).
Our previous efforts to help increase conservation of caribou habitat include:

- Buying at least 95% Forest Stewardship Council® certified pulp from Ontario and Quebec that have specific requirements to conserve woodland caribou habitat
- Facilitating a multi-stakeholder (suppliers, government, NGOs) meeting in partnership with NRDC in 2018 dedicated to discussing how industry and NGOs could address caribou concerns
- Becoming a founding member of the Canadian Boreal Forest Agreement (CBFA). Signed in 2010, the CBFA is a historic agreement covering more than 72 million hectares of public forests

To support further increases to 65% undisturbed caribou habitat, P&G will take the following steps:

- Advocate for Canadian Provinces to submit caribou habitat protection plans to the Federal government.
- Encourage our suppliers to make their caribou management plans public while requiring 100% of our suppliers to have robust plans.
- Continue a stepwise approach of giving preference to suppliers with caribou non-disturbances closer to and above 65% while decreasing sourcing from suppliers with the highest caribou habitat disturbance level without FSC® certification.
- We will apply our Forest Grievance Process for suppliers with the highest caribou habitat disturbance levels and continue reporting our progress in our Wood Pulp Grievance Tracker.

**FREE, PRIOR, & INFORMED CONSENT**

At P&G, respect for Human Rights is fundamental to the way we manage our business. Our Wood Pulp Sourcing Policy requires suppliers to:

- Support the rights of Indigenous and traditional communities to self-determination on their lands.
- Respect human rights and ensure Indigenous and traditional communities have the right to give or withhold consent by participating in the free, prior, and informed consent (FPIC) process in accordance with international human rights norms.
- Establish the necessary policies to prove that Indigenous Peoples and traditional communities’ rights to FPIC are respected, protected, and promoted.

P&G will undertake assessments and independent verification exercises to evaluate the fulfillment of FPIC rights by our wood pulp suppliers when warranted or requested as part of our Forest Grievance Process.

**NON-COMPLIANCE PROTOCOL**

P&G holds suppliers accountable to our Wood Pulp Sourcing Policy which prohibits:

- Illegally sourced fiber
- Deforestation
- Forest degradation
- Conversion of forests to non-natural ecosystems
- Harvesting from High Conservation Value (HCV) areas without 3rd party certification
P&G will continue to follow our rigorous prevention of and monitoring for non-conformances. As stated in our Policy, suppliers are required to participate in:

- 3rd party forest certifications that require independent 3rd party annual audits
- P&G Semiannual sustainability desk-side audits
- P&G Biennial forest field assessments, including management plan appraisal
- P&G Quarterly evaluations of sustainability efforts and plans
- Satellite monitoring

Once a grievance is received, we will continue to follow our new Forest Grievance Process to ensure that concerns are remediated effectively and timely.

**FOREST CERTIFICATION**

P&G requires 100% of the wood pulp we source to be certified by a globally recognized certification system (Forest Stewardship Council, Sustainable Forestry Initiative®, and Programme for the Endorsement of Forest Certification®), which include criteria focused on protecting both environmental and social values of forests. By producing all of our products with 100% certified pulp, we are helping to promote forestry practices that leave a smaller environmental footprint, protect vulnerable species, and positively impact communities that depend on them.

These three forest certification systems used by 100% of our wood pulp suppliers include:

- Avoiding deforestation and degradation
- Replanting and reforestation after harvesting
- Preserving water, soil, and air
- Protecting biodiversity
- Respecting the rights of Indigenous Peoples (supporting United Nations Declaration on the Rights of Indigenous Peoples)
- Protects endangered species

FSC is one of the world’s most trusted forest certifications, and P&G maintains a preference for FSC-certified fibers. P&G has been working directly with our supply chain partners and NGOs to grow the supply of FSC-certified materials and pulp. P&G Family Care brands (tissue and towel products) have an ambition to source 100% with FSC certification by 2030.

In 2021, our Family Care (paper) business achieved our goal of sourcing 75% Forestry Stewardship Council (FSC)-certified wood pulp.
NON-WOOD FIBER INNOVATION

The use of non-wood fibers has been part of P&G's development program for more than two decades. P&G is investing in innovation in non-wood fibers and FSC-certified fast-growing wood fibers. Our goal is to discover a non-wood fiber that is:

1) consumer-preferred
2) produced at scale
3) responsibly sourced

We will continue to advance additional solutions and have made progress, including:

Created a Charmin product made with plant-based and wood fibers. Initial market testing demonstrated that this product is consumer-preferred.

Invested in a new, non-wood fiber supply chain to determine whether we can ensure both the scale and ability to source sustainably. Developed a new Charmin Ultra Eco bamboo product and will conduct consumer testing and limited sale in 2022.

Finding non-wood fibers has proven challenging, as available alternatives often come with product performance trade-offs for the consumer or lack of sufficient supply chain scale. We remain committed to continued investment in non-wood fiber innovation as the work to bring these products to market at quality and scale will be significant. And importantly, we are working to ensure these fibers are responsibly sourced and help move us toward a lower environmental impact. We will continue to conduct broad assessments of potential non-wood fiber materials and supply chains.

CONCLUSION

We will continue to partner with others to help further accelerate positive impact and remain committed to transparently communicating our challenges and progress. For full information on all our forestry efforts, visit our ESG Investor Portal: Forestry.
Note:
Canadian federal government Boreal Caribou Recovery Strategy here:

- Species at Risk Act: Recovery Strategy for the Woodland Caribou, Boreal Population in Canada
- Species At Risk Act: Range Plan Guidance for Woodland Caribou, Boreal Population
- Environment Canada: Scientific Assessment To Inform The Identification Of Critical Habitat For Woodland Caribou, Boreal Population, In Canada

These provide caribou guidance on range plans, landscape-level planning, habitat management, mortality management, population monitoring, and a 65% undisturbed caribou habitat recommendation.