



# *RESPONSIBLE* SOURCING





## Introduction

As an industry leader, P&G Beauty believes it is our role to be a positive force for beauty in the world. We recognize that our scale means every decision we make can have a disproportionately big impact. We also recognize that with this scale we have a responsibility to the communities and environments in which we operate. This sense of responsibility influences everything we do.

We believe that this responsibility extends through our global supply chain, where we define responsible sourcing as the production and procurement of goods and services in a manner that respects human rights, conserves resources, and protects natural ecosystems. We also believe we can positively impact the world's greatest challenges such as climate change and biodiversity loss. Building a sustainable system that provides a great quality of life, respects human rights, and protects the environment is possible.

Ensuring responsible sourcing through our global supply chain is an enormous challenge. Progress will be made through a dynamic journey of collaboration and engagement with our stakeholders. As we move forward, we will continue to look for opportunities to engage, learn from thought-leaders, and share learnings with our supply ecosystem. This document provides a framework for our External Business Partners and Beauty Purchases Organization to drive continuous improvement in responsible sourcing.

Kim Kraus  
Senior Vice President, P&G Beauty Purchases



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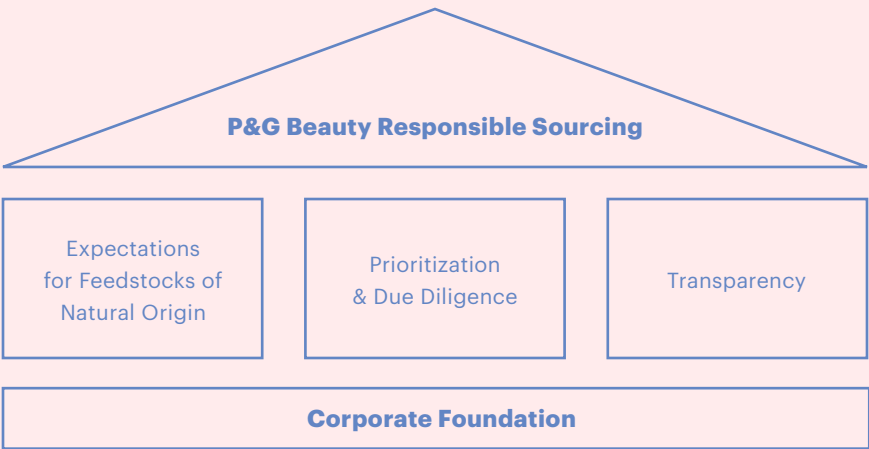
# GENERAL PERSPECTIVE

P&G Beauty Responsible Sourcing outlines a key focus area: feedstocks of natural origin (plant, animal, mineral), but is not a comprehensive statement of all standards our External Business Partners are expected to follow in working with P&G. Additional requirements may apply based on the country or industry of operation. The term External Business Partners (EBPs) is defined as our suppliers, and their subcontractors and suppliers.

P&G Beauty Responsible Sourcing is not intended to replace P&G's Corporate Responsible Sourcing Guidelines, but rather build upon this foundation, and provide what P&G Beauty considers to be relevant and additional expectations concerning the responsible sourcing of feedstocks of natural origin. There are growing challenges associated with the production of these feedstocks, such as addressing changes in land use, building resiliency to climate change, and

ensuring the most vulnerable people and communities, reliant on or impacted by the production of the natural feedstock, are respected and supported. We encourage our EBPs to set similar expectations with their own suppliers. Given the importance of this work, P&G reserves the right to conduct audits to assure compliance with these expectations. P&G also reserves the right to discontinue any relationship should an EBP violate, fail to correct, or have a pattern of violating these expectations.

P&G Beauty Responsible Sourcing also outlines how we operationalize responsible sourcing within our P&G Beauty organization, supply chains, and in partnership with our EBPs. We seek to facilitate conversations with our EBPs and use P&G Beauty Responsible Sourcing as a "common language" for discussing responsible sourcing both internally and externally.



# Rationale and Need for P&G Beauty's Responsible Sourcing Expectations *for Feedstocks of Natural Origin*

P&G Beauty procures a variety of feedstocks of natural origin (plant, animal, mineral) from many EBPs, and locations, globally. We understand there are social, environmental, and economic outcomes associated with the primary production (growing, harvesting, extracting) of the feedstocks of natural origin used to create our products and packaging. There is also a strong interconnectedness between human health, planetary health, and the health of our business. This interplay of relationships, and their physical locations, can be viewed as the ecosystem in which we operate. We are dependent upon this system being resilient.

As we look to address and positively impact outcomes through our procurement activities, we strive to take a science-based, consistent, and transparent approach. The expectations outlined in this document are

not intended to act as a path toward a "P&G Beauty certification"; but they articulate what we consider the foundational social and environmental expectations for responsible sourcing feedstocks of natural origin. Having our expectations clearly defined also provides a framework for evaluating the scope and sufficiency of available 3rd party standards. We will utilize 3rd party standards and organizations that align with our expectations to verify and/or certify activities in some of our supply chains.

The expectations for feedstocks of natural origin will be applied to an individual feedstock for a region of production. There may be instances where a feedstock has additional expectations to be considered responsibly sourced, and these will be communicated where relevant.

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*We strive to take a science-based, consistent, and transparent approach*

# Responsible Sourcing *Operating Principles*

## ACCOUNTABILITY

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We hold ourselves and our EBPs accountable for producing and procuring goods and services in a manner that respects human rights, conserves resources, and protects natural ecosystems.

## TRANSPARENCY

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We expect our EBPs to be transparent in the practices they use, and in the physical supply chain of the goods and services they provide to P&G Beauty such that we have a sufficient level of traceability to assess risk and compliance. In turn, we will be transparent with our stakeholders regarding the steps we take to ensure responsible sourcing in our supply chain ecosystem.



## CONTINUOUS IMPROVEMENT

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We expect our EBPs to engage in continuous improvement programs when and where necessary.

## CREDIBLE VERIFICATION

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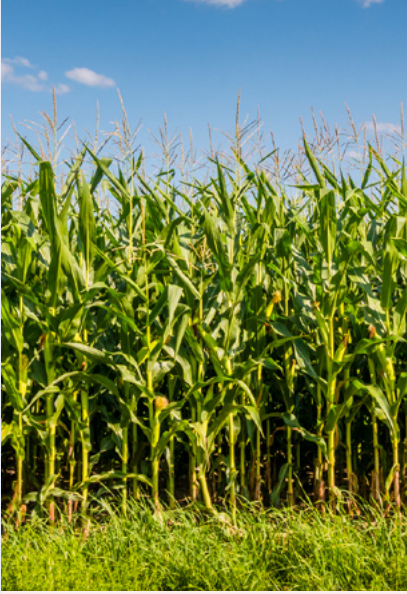
We expect our EBPs to monitor and verify their performance and continuous improvement against P&G Beauty's expectations. In the case of high responsible sourcing risk, or for Beauty priority materials, Beauty reserves the right to verify such monitoring and performance by independent assessment.



A photograph of a lush green coffee plantation in a mountainous region. In the foreground, dense coffee bushes fill the frame. Two workers are visible: one man in a blue shirt is standing and reaching into the bushes, and another person wearing a hat and a green shirt is crouching down. In the background, steep, forested mountains rise, with some peaks partially obscured by mist or low clouds. The overall scene conveys a sense of sustainable agriculture in a natural, mountainous environment.

# SPECIFICS OF P&G BEAUTY RESPONSIBLE SOURCING





# 01

## Prioritization & due diligence

### FEEDSTOCKS OF NATURAL ORIGIN

#### **Prioritization Process**

We expect all our EBPs to produce and/or source feedstocks of natural origin, and their derivatives, in alignment with P&G Beauty's Expectations for Feedstocks

of Natural Origin. We prioritize feedstock supply chains for additional due diligence to verify they are responsibly sourced. We prioritize feedstocks by identifying those with the highest potential risk or challenges to responsible sourcing, coupled with P&G Beauty's greatest opportunity to drive positive impact.

#### ***Scope***

Feedstocks are considered at a landscape-level such that corn grown in the Midwest US has a separate profile from corn grown in northeast China.

#### ***Risk***

Tools employed for understanding feedstock responsible sourcing risk include, but are not limited to, national risk profiles, geospatial data, internal and external expert input, feedstock research and profiles, industry developed assessments, climate risk assessments, and 3rd party conservation tools. An example methodology is outlined in Weisbrod et. al (2016) "Framework for evaluating sustainably sourced renewable materials".

#### ***Impact***

Risk information is then evaluated in the context of opportunity for positive impact in the relevant landscape. Considerations include: P&G Beauty's use of the feedstock vs other industries, leverage in the supply chain, and short and long-term business outlook for the related naturally-derived materials.

Regardless of prioritization status, if we become aware of a situation causing harm to people or the environment in our supply chain, we engage to be part of the solution to address the issue.

An appropriate corrective action plan is developed based on the severity, extent, and persistence of the issue. We expect our EBP(s) to engage and take the necessary steps to ensure implementation of correction action plans.



## Due Diligence

For prioritized feedstocks, additional steps are taken to understand whether the feedstock supply in our supply chain is responsibly sourced.

1. This is done in partnership with the EBP(s) supplying the prioritized feedstock, and third-party experts as appropriate.
2. We may ask our EBP: for more granular traceability data (e.g. trace from farming community to EBP), to provide information on whether they have a responsible sourcing program that covers the feedstock, for any auditing or verification they have conducted, or whether the feedstock is covered by a third-party certification.
3. If the available information from the EBP is not sufficient to verify responsible sourcing, or if outages to responsible sourcing are identified, an action plan will be developed to ensure the responsible sourcing of the feedstock in our supply chain. Action plans may include activities such as: pursuit of an existing third-party certification (e.g. RSPO, FSC), engagement in a continuous improvement program, improved supply chain traceability, or auditing.
4. We expect our EBP(s) to support efforts to ensure the responsible sourcing of our priority feedstocks, and to participate in the execution of responsible sourcing action plans when and where relevant.



## P&G BEAUTY BUYERS

We hold all our employees accountable for supporting responsible sourcing, but our Buyers are externally connected, manage our supplier relationships, and they own every dollar spent for the business. Therefore, we outline specific expectations for our Buyers.

### **P&G Beauty Buyers:**

- Shall operate in accordance with [P&G's Purpose, Values and Principles](#)
- Shall know how to [Speak Up and What to Report](#)
- Shall be trained in responsible sourcing
- Shall include responsible sourcing criterion for business allocation
- Shall understand if they procure any materials derived from priority feedstocks and participate in their responsible sourcing programs accordingly



A full-page background image of a tropical landscape. In the foreground, there are lush green rice terraces. The middle ground is filled with numerous palm trees and other tropical vegetation. The background shows a dense forest under a bright, hazy sky with the sun shining from the upper right, creating a lens flare effect.

# 02

## Transparency

—  
*We will publicly report  
our priority materials  
and our progress to ensure  
responsible sourcing  
of those materials  
beginning in 2021.*



# 03

## Responsible sourcing expectations for *feedstocks of natural origin*

The following outlines key expectations, in addition to the [P&G Corporate Responsible Sourcing Guidelines](#), for feedstocks of natural origin. It is not a comprehensive statement of all standards EBPs are expected to follow in working with P&G. Additional requirements may apply based on the country or industry in which you operate.

### 01. RESPECTING PEOPLE AND COMMUNITIES

- 1.1** Land Rights
- 1.2** Indigenous Rights
- 1.3** Women Producers
- 1.4** Access and Benefits Sharing

### 02. VALUING CRITICAL ECOSYSTEMS

- 2.1** Natural Forest, Peatland, Wetland, Grassland, Savanna, Mangrove, Kelp Forest, Coral Reef
- 2.2** Conservation of Biodiversity and Cultural Sites

### 03. BEST PRACTICES

- 3.1** Developing a Respecting Human Rights Program
- 3.2** Stakeholder Voice
- 3.3** Good Agricultural Practices



## SECTION 01

# RESPECTING PEOPLE & COMMUNITIES

## 1.1 Land Rights

Land rights, land-use rights, and land tenure rights are fundamental constructs for ensuring economic, cultural, and environmental benefits are realized for people and communities.

- We respect the rights of individuals and communities to access, own, inherit, and farm the land.
- We respect 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.
- We do not tolerate forced evictions, forced displacement, or any illegal form of land acquisition.

## 1.2 Indigenous Rights

We support the [UN Declaration on 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.

## 1.3 Women Producers

Gender equality is critical for achieving better health, education, and economic outcomes for local communities. We support the equal rights of women, including women producers.





#### **1.4 Fair and Equitable Sharing of Benefits from the use of, and Access to, Genetic Resources and Traditional Knowledge**

As laid out in the [Convention on Biological Diversity](#), and detailed through the [Nagoya Protocol](#), fair and equitable sharing of benefits from the use of genetic resources and traditional knowledge aims to incentivize the conservation of biological diversity, and the sustainable use of its components, by contributing to the sustainable development and livelihoods of indigenous and local communities.

- We expect compliance with all applicable national access and benefit-sharing (ABS) laws, rules, and regulations.
- We expect EBP to notify P&G Beauty of ABS obligations associated with anything supplied to P&G Beauty.
- We expect evidence of compliance with relevant ABS laws, rules, and regulations.



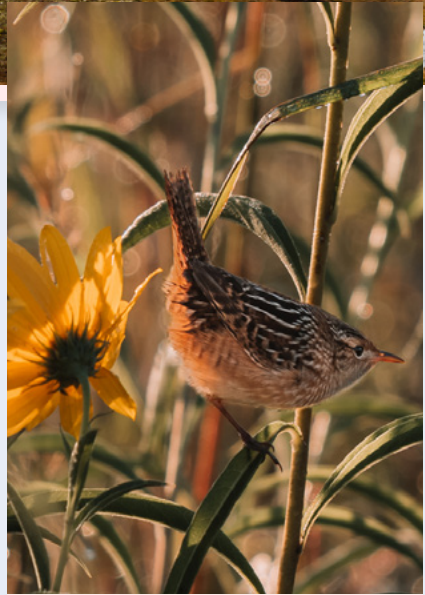
## SECTION 02

### VALUING CRITICAL ECOSYSTEMS

#### **2.1 Natural Forest, Peatland, Wetland, Grassland, Savanna, Mangrove, Kelp Forest, Coral Reef**

These natural ecosystems can be critical for carbon sequestration, supporting biodiversity, and ensuring the long-term livelihood of local communities and global health.

- We expect no deforestation, conversion, or severe and sustained degradation of these natural ecosystems.
- In circumstances where the approach of no deforestation or no conversion of these natural ecosystems may conflict with the self-determined land-use plans, or intentions of indigenous peoples and local communities with rights over such lands, the principles of 1.1 and 1.2 are upheld.
- We expect compliance with P&G's [Palm Responsible Sourcing Policy](#)
- We expect compliance with P&G's [Wood Pulp Procurement Policy](#)



## 2.2 Conservation of Biodiversity and Cultural Sites

### *High Conservation Value Landscapes:*

High Conservation Value (HCV) landscapes are natural habitats and locations that possess biological, ecological, social, or cultural value of outstanding significance at the local, national, regional, or global level.

- We expect no production in protected areas including:
  - » [International Union for Conservation of Nature \(IUCN\) protected areas categories I-IV](#)
  - » [United Nations Educational, Scientific, and Cultural Organization \(UNESCO\) World Heritage Sites](#)
  - » [Biosphere Reserves designated under the UNESCO Man and the Biosphere Programme](#)
  - » [Wetlands on Ramsar Convention's List of Wetlands of International Importance \(Ramsar List\)](#)
  - » Other legally protected areas



- In circumstances where the approach of no production in these areas may conflict with the self-determined land-use plans, or intentions of indigenous peoples and local communities with rights over such lands, the principles of 1.1 and 1.2 are upheld.

### *Rare, Threatened, and Endangered Species*

Plant and animal species diversity is important for the current and future health of our ecosystems and to the maintenance of the many services they provide including pollination, air and water purification, medicinal resources, and pest control.

- We expect compliance with the [Convention on International Trade in Endangered Species of Wild Fauna and Flora \(CITES\)](#)
- We expect evidence of compliance for any CITES listed species. In the instance of plant species, information required includes where the species is grown or collected and how it is cultivated (e.g. artificially propagated or naturalized). If the species is shipped internationally, export and import certificates are provided.



SECTION 03

BEST PRACTICES

### 3.1 Developing a Respecting Human Rights Program

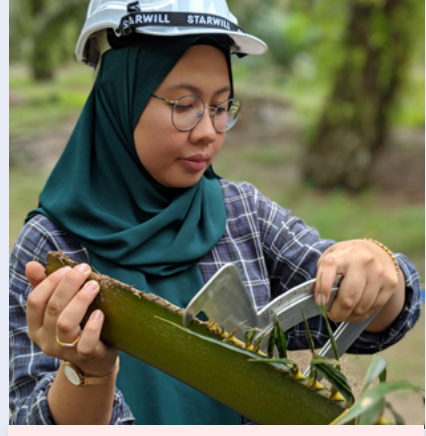
Respect for human rights means avoiding possible negative impacts on human rights and addressing such impacts if the company is involved or linked with them. A best practices framework to do the right thing to respect human rights is: 1) publicly committing and embedding respect for human rights, 2) having a due diligence process to identify, prevent, and/or mitigate adverse human rights impacts, and 3) enabling processes that will effectively remediate adverse impacts.

#### *1. Commitment to Respecting Human Rights*

For example, P&G has publicly committed to human rights by releasing a [Human Rights Policy Statement](#).

#### *2. Human Rights Due Diligence*

Human rights due diligence consists of the processes that businesses use to become aware of and manage its actual and potential impacts on individuals' human rights while engaging stakeholders throughout the process.



The U.N. Guiding Principles (UNGPs) identify four due diligence steps:

**Assess:** Identify actual and potential impacts on people that might happen as a result of business activities or through business relationships;

**Integrate and act:** Take steps to prevent these impacts from occurring, to mitigate their likelihood and severity, to use leverage within business relationships, and to provide remedy where impacts nevertheless occur;

**Track:** Monitor the effectiveness of the business' processes for assessing and addressing these impacts;

**Communicate:** Share information externally with stakeholders about how the business addresses impacts and risks, including, where appropriate, through public reporting.

#### *3. Remediation of Adverse Human Rights Impacts*

When you become aware of an adverse impact, engage to be part of the solution to address the issue or dilemma, including seeking to prevent or mitigate the adverse impact.

### 3.2 Stakeholder Voice

#### *Consultation and Engagement*

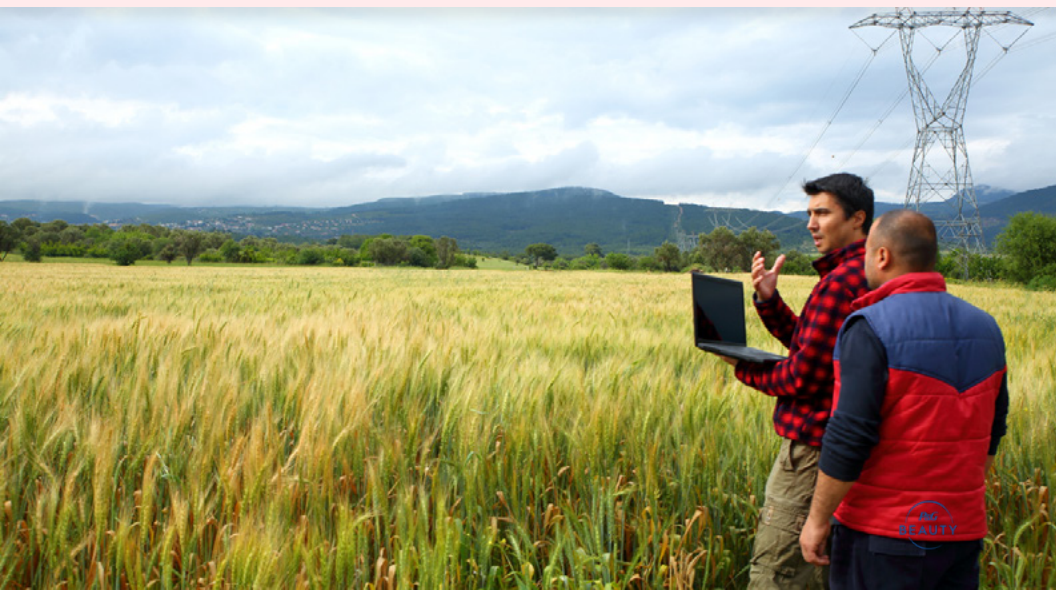
Listening to and understanding the needs and concerns of those impacted by the production of a feedstock is important to ensuring the acceptability and long-term success of the production system. Relevant considerations for stakeholder consultation and engagement include:

- Stakeholders are identified and a process is in place to communicate information to them regarding activities associated with the production of the feedstock that may impact them.
- Stakeholders are consulted and have the opportunity for meaningful participation in decision making regarding production activities having significant impact to them.

#### *Grievance Mechanism*

Grievance mechanisms are important tools that allow all workers, including migrant workers, to voice concerns associated with their employment without fear of punishment or retribution. Relevant considerations include:

- EBP has a public grievance policy
- EBP has a public grievance mechanism





### 3.3 Good Agricultural Practices

Agriculture provides the nutrition, fiber, fuel, and products relied on by many people and animals, globally. Tracking and continuously improving on key outcomes like crop productivity, environmental quality, and human health is fundamental to ensuring the resiliency of an agricultural system. Relevant considerations for continuous improvement of agricultural practices include:

#### *Healthy Soils:*

- Feedstock is produced using practices that protect soil quality and prevent erosion
- Soil disturbances are minimized, with an emphasis on reducing tillage or compaction from heavy machinery
- Soil cover is maximized by keeping a living crop, crop residues, or biomass mulches covering the soil year around
- The presence of living roots is maximized to increase soil organic matter and maintain other beneficial functions

#### *Water Resources:*

- Existing water rights of local and indigenous communities are respected
- Water use does not prevent the needs of other water users in the local water basin being met, including communities, flora, and fauna
- Water quality of local waterways and groundwater is not negatively impacted by the feedstock production

#### *Nutrient and Pest Management:*

- Agrochemicals are minimized and use is in accordance with the [4Rs of nutrient stewardship](#)
- Agrochemicals prohibited by applicable law are not used at all
- Potential impacts to biodiversity and pollinators are assessed before application and steps are taken to reduce negative impacts



### ***Energy Use and Greenhouse Gas (GHG) Emissions:***

- Energy use is monitored, and steps are taken to reduce energy use and improve energy efficiency
- Renewable energy sources with a lower environmental footprint vs. nonrenewable are prioritized
- Steps are taken to reduce GHG emissions



### ***Air Quality:***

- Air pollution emissions are identified and minimized
- Any open-air burning of leaves, straw, and other agricultural residues is minimized, and where possible eliminated

### ***Waste:***

- Waste management practices follow the 3R's: Reduce, Reuse, Recycle
- Waste is properly and safely disposed

### ***Land Use:***

- Biodiversity is maximized by increasing the diversity of crops and animals on the land
- Existing large native and shade cover trees are maintained
- Wildlife habitat fragmentation is avoided by maintaining or creating ecological corridors
- Impacts to nearby waterways or conservation areas are reduced by maintaining or creating buffer zones
- Invasive species found or used in the production area are minimized and do not invade areas outside the production area



# RESPONSIBLE *SOURCING*