

Supplier Diversity at Procter & Gamble



What is Supplier Diversity & why is it important?

At P&G, Supplier Diversity has been a business strategy for over 40 years. This is our program to grow and develop business with certified woman-, minority-, LGBT-, Person with Disability- and US Military Veteran-owned companies. When we invest with diverse suppliers, we create value in our business by strengthening our innovation building value in our community through the job growth and economic inclusion created by these companies. We are committed to developing an intentionally diverse supply base by working directly with certified diverse-owned businesses, and indirectly through our majority-owned partners. While we are incredibly proud of our accomplishments – including spending more than \$2 billion with diverse suppliers for eight consecutive years and having surpassed \$3billion since FY20/21 – we know we must continue to innovate and improve.

Definition of a Diverse Supplier

US - A for-profit enterprise that is at least 51% owned, operated and controlled by a U.S. citizen(s) who is African American, Hispanic, Native American, Asian Pacific, Asian Indian; a non-ethnic woman; Service-Disabled Veteran Owned and Veteran-Owned Small Businesses; Disabled; or Lesbian, Gay, Bisexual, and Transgender-Owned Businesses. We also consider diverse business led by women holding highest CEO position in the company (subsidiary, country or regional CEO does not count). If CEO role is shared 50/50 between a woman and a man, this also counts. The company must be based in the U.S. or its trust territories. We require Diverse Suppliers to be third-party certified to ensure they are meeting the spirit and intent of our program.

1st and 2nd Tier Diverse Suppliers must be certified by one of the following certifying organizations:

- National Minority Supplier Development Council (nmsdc.org/)
- Womens Business Enterprise National Council (www.wbenc.org/)
- The Department of Veteran Affairs (www.va.gov/)
- Disability:IN (disabilityin.org/)
- National Gay & Lesbian Chamber of Commerce (nglcc.org/)

Outside the US - we track spend with suppliers at least 51% owned, operated and controlled by a woman. Certification is not required if the company is based outside the US. However, we ask the company self-registers at weconnectinternational.org/ . We also consider diverse business led by women holding highest CEO position in the company (subsidiary, country or regional CEO does not count). If CEO role is shared 50/50 between a woman and a man, this also counts. In South Africa P&G leverages B-BBEE definitions.

2nd Tier

P&G has had a 2nd tier program since 1996. 2nd tier purchasing provides P&G with a way to expand its commitment to Diverse purchasing by enrolling our 1st tier Majority Suppliers (P&G suppliers that are paid directly for goods or services they provide to us) in this process. Simply put, we are asking our suppliers to utilize Diverse Suppliers in their supply chains. By utilizing 2nd tier in conjunction with our direct spending efforts we expand the impact of our Supplier Diversity strategy. We have also begun tracking 3rd tier spend on a limited basis as our business models evolve to ensure we are driving the spirit and intent of Supplier Diversity.

Our Expectations (What it Means for You)

We make sourcing decisions based on best total value, which includes Supplier Diversity. If you are a diverse owned company participating, this is part of the value proposition you provide. If you are not a diverse owned company, we expect you to drive 2nd Tier spending with certified diverse suppliers – this will be evaluated as part of the proposal and we will track this on a quarterly basis. For more information including videos from our leaders on P&G's commitment, visit the website supplierdiversity.pg.com. For majority-owned suppliers, we also have a 2nd Tier toolkit that contains additional resources and is available from your Supplier Relationship Owner.