



Procter & Gamble Again Fails Forests, Climate, and Human Rights

In May 2023, consumer goods giant Procter & Gamble (P&G) released a new [Forest Commodities Policy](#) addressing its pulp, palm oil, and packaging supply chains. Despite years of public and investor pressure, P&G, which is the maker of household brands like Charmin, Head & Shoulders, and Gillette, continues to fail to protect forests and uphold human rights in its new policy.

P&G's latest policy language and statements to investors reflect the company's longstanding intransigence to mitigate risk associated with the environmental and human rights impacts of its supply chains. In 2020, two-thirds of P&G shareholders [voted in favor of a resolution](#) calling on the company to increase the scale, pace, and rigor of its efforts to eliminate deforestation and forest degradation from its supply chains.

Despite increasing regulatory action worldwide to minimize deforestation and forest degradation and associated human rights violations, including the [EU Deforestation Regulation](#) and the [New York Tropical Deforestation-Free Procurement Act](#), P&G continues to lag behind peers like [Unilever](#) and [Kimberly-Clark](#). This has escalated pressure from the public, investors, and even [descendants of the company's founders](#) and has created increased [reputational](#), regulatory, and competitive risk for the company.

Notable failures in P&G's latest policy

- **Removes mention of forest degradation prohibition in pulp supply chain:** P&G's [2021 Wood Pulp Sourcing Policy](#) (no longer available on P&G's website) and [2022 Forestry Practices Update](#) claimed that the company prohibits forest degradation in its wood pulp supply chain, but its latest policy removes any mention of this. P&G's original claim to prohibit forest degradation was dubious; the Natural Resources Defense Council (NRDC) [filed a complaint](#) with the U.S. Securities and Exchange Commission because the company claimed to prohibit forest degradation while simultaneously disclosing that it sources wood pulp from logging operations in intact forests and threatened species habitat, both of which are forms of forest degradation. P&G spent the last two years touting this claim to investors and has provided no written clarification as to why this claim has disappeared from its latest policy.
- **Removes mention of IFL sourcing prohibition in palm oil supply chain:** P&G's Forest Positive Palm Oil Sourcing Policy that was published in [July 2021](#) (no longer available on P&G's website) claimed that the company "prohibits the conversion of Intact Forest Landscapes (defined by the IFL Mapping Team) for Oil Palm Production." P&G has now removed any mention of this commitment in its latest policy.
- **Policy does not apply at corporate group level:** Though P&G has combined its wood pulp, palm oil, and packaging policies into one "Forest Commodities" policy, the company still does not require its suppliers to adhere to the policy's requirements across their entire operations at the corporate group level. This represents a step backward from the company's [2021 palm oil sourcing policy](#), in which P&G committed to applying

the No Deforestation, No Peatland and No Exploitation (NDPE) standards in its policy to their supply chains at an “enterprise wide” level, including third parties. In contrast, P&G’s competitor, [Unilever](#), has a credible cross-commodity NDPE policy that not only applies its requirements to the land areas where commodities they source are produced—it also applies across the operations of their suppliers at a corporate group level. Unilever defines corporate groups using the best practice definition set by the Accountability Framework initiative.

- **Weak language on policy expectations for Free, Prior, and Informed Consent (FPIC):** P&G lacks explicit requirements for suppliers to publish their FPIC policies and procedures and to independently verify that those policies and procedures are in accordance with the international best practices cited in its policy. The company also does not require suppliers to provide evidence and documentation that they have received, and continue to be afforded, FPIC from communities that have consented to company operations or that suppliers have respected communities’ rights to say no to operations. This is particularly concerning given [evidence](#) that many P&G suppliers do not, in fact, have policies requiring FPIC. Furthermore, the company continues to rely on third-party certification systems, like the [Sustainable Forestry Initiative](#), that have been shown to be ineffective at ensuring and verifying respect for FPIC and human rights.

P&G’s Weak Grievance Mechanism: Two Case Studies

Astra Agro Lestari

The [case of P&G palm oil supplier Astra Agro Lestari](#) (AAL) calls into question the effectiveness of P&G’s grievance mechanism, as well as the company’s willingness to use its platform to address ongoing environmental and human rights violations in its supply chains. Following the publication of a [March 2022 report](#) detailing land grabbing, environmental pollution, and violence against environmental human rights defenders by AAL, P&G commissioned an independent verification assessment of the allegations. The [independent assessment](#) broadly affirmed numerous violations by AAL, including failure to ensure FPIC, land grabbing, and violence against communities. P&G proceeded to [suspend supply from three AAL subsidiaries](#), while continuing to source from AAL as a whole. P&G has since stopped its direct engagement with AAL and it remains unclear what the company is doing to address communities’ long standing grievances and seek remedy for harm done.

Royal Golden Eagle and the Harita Group

[P&G’s Palm Oil Grievance Tracker](#) shows that the company continues to do business with two corporate groups that are driving deforestation and forest degradation in Indonesia and violating of the rights of Indigenous communities who oppose development on their lands—Royal Golden Eagle and the Harita Group. Royal Golden Eagle Group supplies P&G with palm oil—via its palm oil arm Apical—despite Apical being caught sourcing from suppliers that are [illegally expanding palm oil plantations](#) into protected peatlands in Indonesia’s Leuser Ecosystem; [burning](#) and [bulldozing](#) forests; and [violating Indigenous land rights](#) through its shadow companies in the pulp sector. The Harita Group also supplies P&G with palm oil despite being [exposed](#) for violating Indigenous land rights through its associated companies in the Roda Mas Group in the timber sector. P&G claims that these grievances are ‘not linked to its supply chain’ to justify its inaction and explain why it has not suspended its business with either corporate group. [Unilever](#), P&G’s peer, responded quite differently in that the company has stated that the Harita Group and companies in the Roda Mas Group are considered a corporate group, and therefore are subject to the company’s policies.

- **Lack of non-compliance protocols:** P&G still lacks non-compliance protocols that transparently articulate what thresholds and metrics it will use to measure compliance and non-compliance with its policies and human rights obligations; what supplier actions related to human rights and/or land rights violations would trigger supplier suspension or exclusion from the company’s supply chain; what steps a supplier would need to take to re-enter the company’s supply chain; and how the fulfillment of these corrective actions to remediate social harm or restore ecological damage would be independently verified. P&G needs a publicly available non-compliance protocol because environmental and human rights violations—including land grabbing, deforestation, environmental pollution, and violence against environmental and human rights defenders—are rife in industrial agribusiness operations, including among companies in P&G’s supply chains and in the operations of corporate groups tied to P&G.

Other recent misleading ESG-related statements P&G has made to investors

1. **No widely applied definition of forest degradation exists.** In a [July Investor ESG briefing](#), P&G claimed this explained the company’s decision to remove forest degradation from its policy, pointing to a [May 2022 report](#) by the U.N. Food and Agriculture Organization, despite issuing a report in July 2022 (i.e. after the FAO report was released) reiterating its forest degradation commitment before then removing that language in May 2023. It is inaccurate to say that there is no widely applied definition. Multiple institutions, policies, and frameworks have explicit definitions of degradation they use, including the recently passed EU Deforestation Regulation, which will be implemented next year and to which P&G will be subject, as well as the Accountability Framework initiative. Furthermore, P&G’s competitor Unilever [defines degradation in its policy](#) and uses that definition in enforcement.
2. **P&G is acting with urgency to reduce GHG emissions.** Despite having “SBTi-validated” targets, P&G’s [Climate Transition Action Plan](#) puts it on a path toward a 3 degree warming scenario, according to recent analysis by [Planet Tracker](#). This is the worst performance of any consumer goods company that Planet Tracker analyzed, and is largely attributed to “P&G’s failure to address upstream Scope 3 emissions,” which is a longstanding topic of concern for [civil society groups](#) with P&G.
3. **P&G [regrows two trees for every one used in its tissue/towel products](#).** Replanting trees distracts from the fact that buying pulp sourced from clearcutting carbon-rich primary forests has [irremediable ramifications](#) for the climate and biodiversity. Tree replanting, no matter the scale, is not a countermeasure that balances out logging’s impact. Furthermore, P&G’s claim to regrow two trees for every one it uses is virtually impossible to verify given the information the company has shared with investors. Nowhere does the company share how it verifies the trees are regrown, where they are regrown, and how long they monitor the trees to ensure they do, in fact, grow and reach maturity.
4. **75 percent of P&G’s wood pulp is FSC certified.** In 2021, P&G announced that it had achieved its goal of getting 75 percent of its pulp certified by the Forest Stewardship Council (FSC). However, in P&G’s [Investor Portal](#), the company’s most recent reporting shows that only 69 percent of its pulp fiber is FSC Chain of Custody (CoC) certified, and 22 percent is [FSC Controlled Wood](#) (CW). FSC CW is [defined](#) by the FSC as “non-FSC-certified material” that has been subject to certain controlled conditions in order to enable manufacturers to use it in FSC Mix products, meaning that its inclusion toward

meeting P&G's FSC certification goal has exaggerated the company's progress. [P&G has never achieved 75 percent FSC CoC certification of its wood pulp.](#) Furthermore, while P&G has claimed that achieving their 75 percent goal put them [ahead of others in the pulp industry](#), Kimberly-Clark—one of P&G's main competitors in the pulp sector—has purchased a [higher percentage](#) of FSC-certified fiber (i.e. not including Controlled Wood) than P&G in each of the last three years. Moreover, [FSC CoC](#) certification refers to requirements around the tracking and segregation of FSC-certified and non-FSC material throughout a supply chain, rather than the [FSC Forest Management](#) standard which P&G should refer to when calculating its progress toward 75 percent FSC-certified wood pulp. Ultimately, it is altogether unclear exactly what percent of P&G's fiber is sourced from FSC-certified forests based on the company's current disclosures.

Conclusion

Three years is long enough for P&G to deliver clear and meaningful action. P&G's latest steps should raise alarm signals with shareholders that the company is failing to comply with the 2020 shareholder proposal. Furthermore, P&G's failures should cause investors to escalate their engagement with P&G to advocate for the company to strengthen its policies and systems to address the shortcomings raised in this brief, and to vote against members of the board of directors at the company's upcoming shareholder meeting.