



Forestry Report

December 2022



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Executive Summary

In 2022, we reviewed our forestry footprint and wood sourcing practices to assess how we could increase the scale, pace and rigor of our efforts to eliminate wood linked to deforestation and the degradation of primary forests within our supply chain. This report outlines the assessment process, key findings from our assessment and the steps we plan to take next.

The assessment process occurred throughout 2022 and included primary research, benchmarking and discussions with stakeholders. As a result of the assessment, we plan to take the following steps:

- 1** Lowe's will invest in reforestation projects in key sourcing regions designed to benefit carbon sequestration and biodiversity.
- 2** Lowe's will strengthen its wood sourcing policy in the coming year by:
 - A. Adding a provision that encourages all vendors to engage in Free, Prior and Informed Consent where applicable
 - B. Updating the identified Regions at Risk
- 3** Lowe's will implement a grievance mechanism focused on its forestry supply chain.
- 4** Lowe's will require all wood products sourced from Canada to originate from credible third-party certified forests by 2027.





Review Process

In this report, we outline our current forestry footprint and how we are operationalizing our wood sourcing commitments. In 2022, we conducted a detailed review of our initiatives, footprint and programs to identify opportunities to improve our wood sourcing practices.

Our assessment focused on the potential impacts of our forestry footprint on deforestation and degradation of primary forests, including effects on:

- 1 CARBON SEQUESTRATION AND CARBON STOCK**
- 2 BIODIVERSITY**
- 3 INDIGENOUS PEOPLES' RIGHTS**

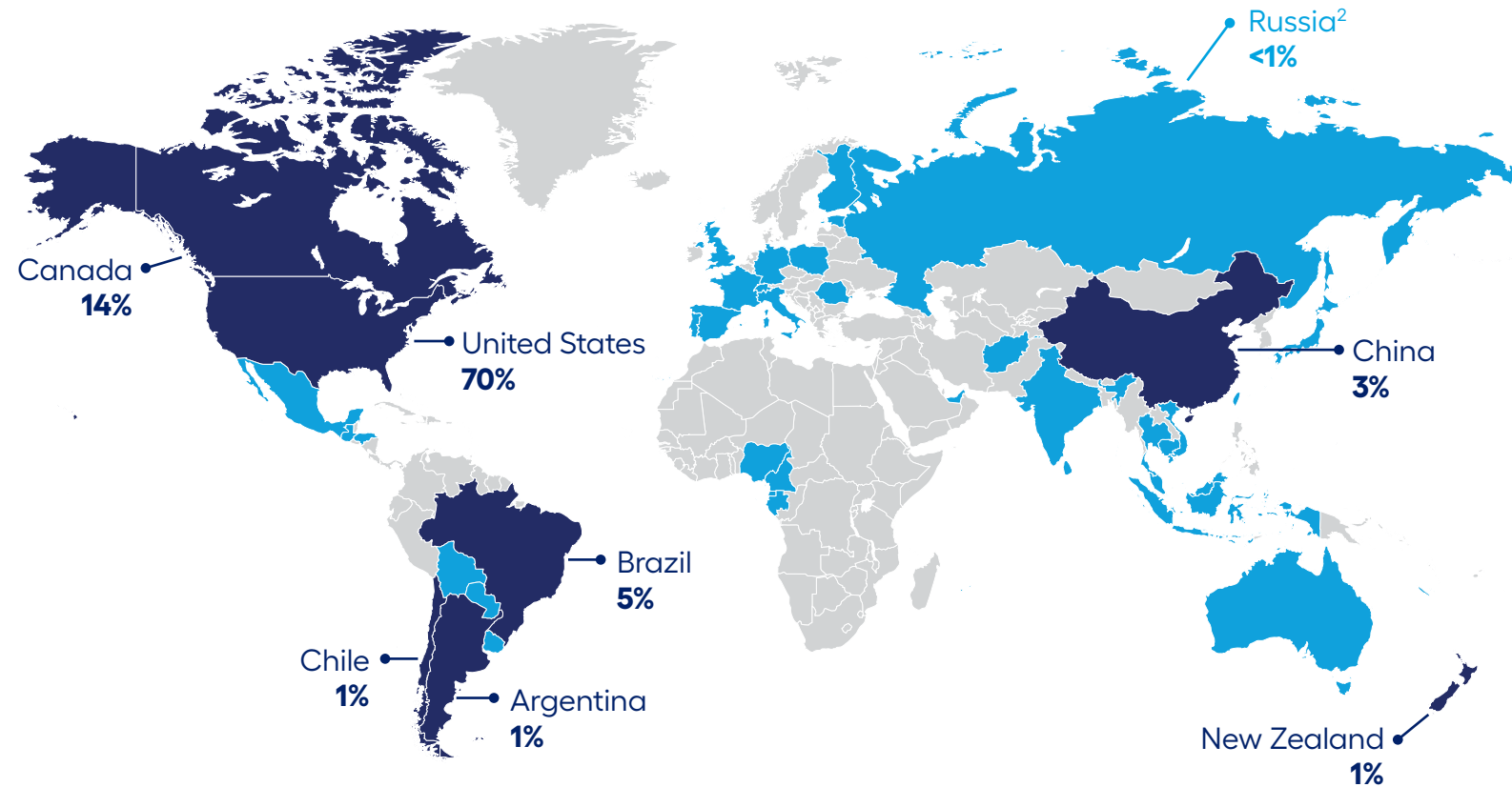
As part of the assessment process, we:

-  benchmarked sustainable business practices against other retailers;
-  consulted with Non-Governmental Organizations (NGOs) and industry experts;
-  met with vendors to assess the feasibility, challenges and barriers associated with improving their forestry management practices; and
-  collaborated with forest management certification bodies to understand different approaches to sustainable forest management.

We then reviewed our findings with key stakeholders and our leadership team to determine next steps, which are outlined in the [Looking Ahead](#) section of this report.

Lowes's Forestry Footprint

LOWE'S 2021 TOTAL WOOD VOLUME BY COUNTRY¹



Map Legend

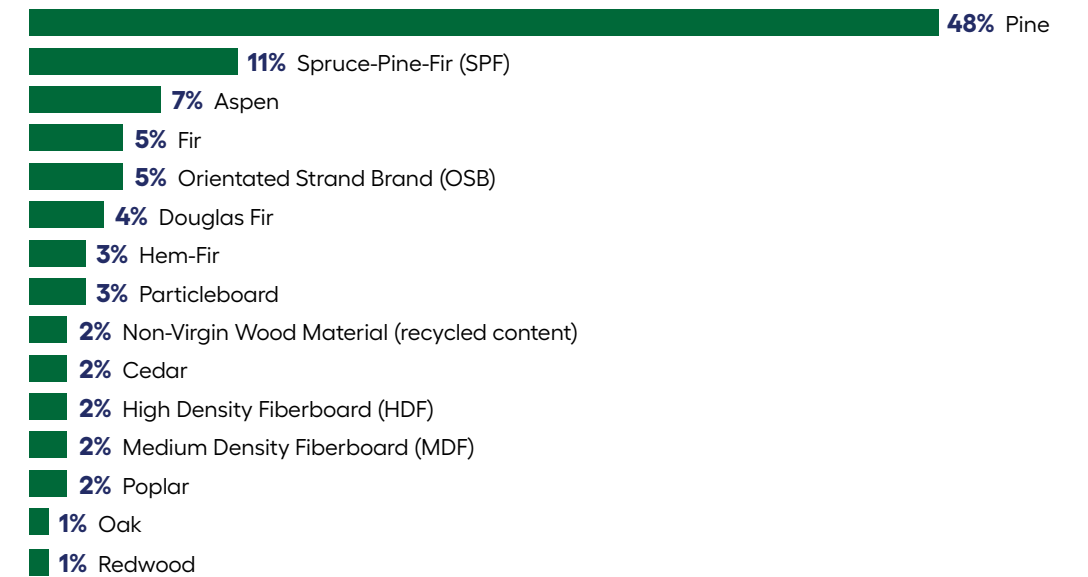
Lowes's sources $\geq 1\%$ from these countries

Lowes's sources $< 1\%$ from these countries

¹All data provided was gathered through Lowe's annual wood sourcing survey. The 2021 survey had a 95% response rate and included sourcing data from November 1, 2020, through October 31, 2021. This data is for Lowe's US operations only.

²Lowes's began to discontinue sourcing from Russia in 2022.

LOWE'S 2021 TOTAL WOOD VOLUME BY SPECIES¹



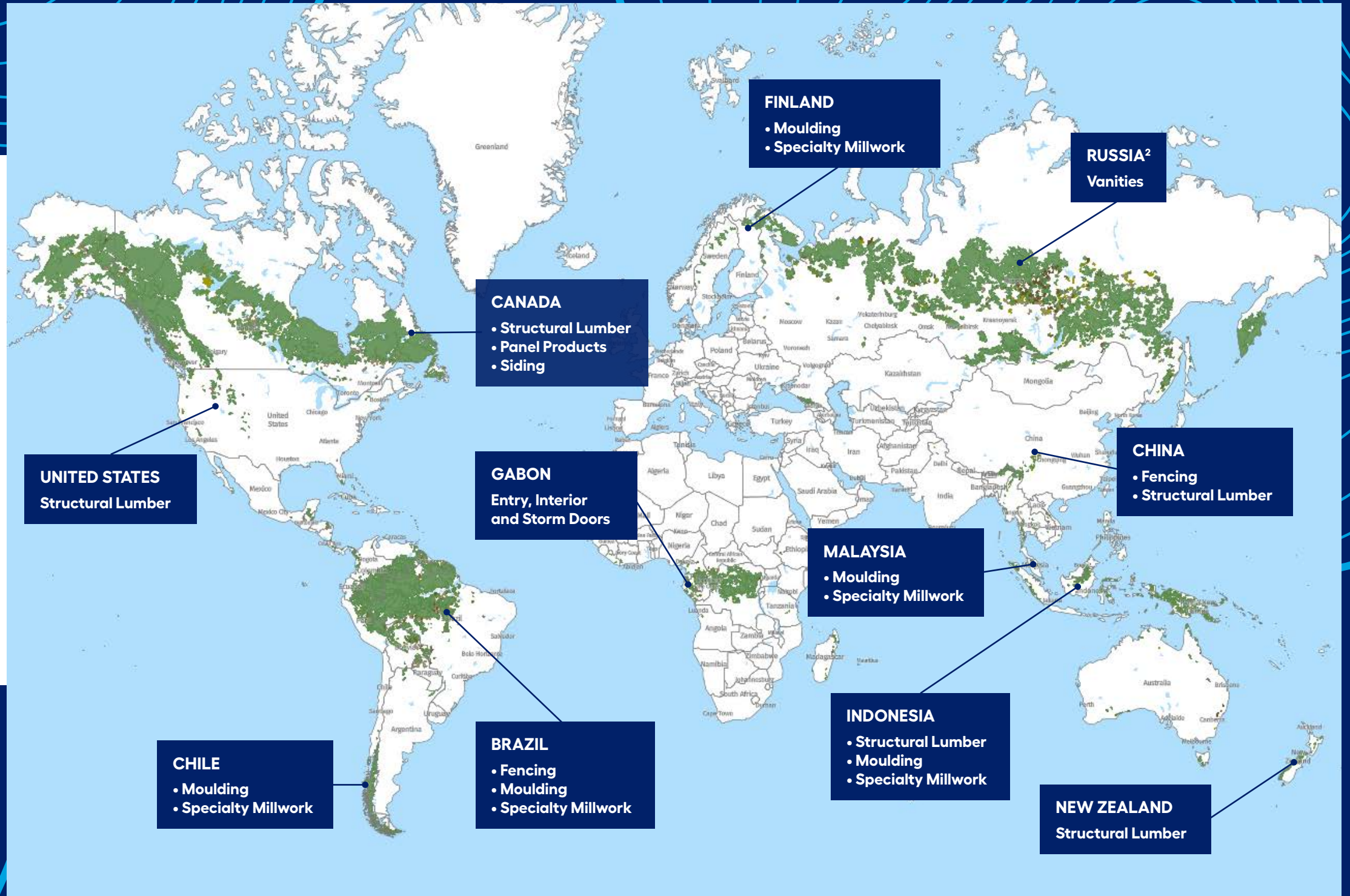
LOWE'S 2021 TOTAL WOOD VOLUME BY CERTIFICATION¹

Sustainable Forestry Initiative (SFI)	57%
None	31%
Forest Stewardship Council (FSC)	8%
Program for the Endorsement of Forest Certification (PEFC)	4%

INTACT FOREST LANDSCAPES WITHIN LOWE'S FORESTRY FOOTPRINT

Intact Forest Landscapes (IFLs) are defined as groupings of primary forest of 50,000 hectares or more. Primary forests are defined as forests that have remained relatively undisturbed by human activity.

The map to the right shows the location of IFLs across the globe along with the top product categories Lowe's sources from the countries where these IFLs are located.¹



¹Lowe's product category data used is from 2021.

²Lowe's began to discontinue sourcing from Russia in 2022.

OUR CURRENT FOREST MANAGEMENT PRACTICES

Over the last 20 years, Lowe's has implemented public commitments, a wood sourcing policy and data collection processes to improve its approach to sourcing wood products.

Public Commitments¹

Current Lowe's public commitments regarding wood sourcing include the following:

PROGRESS: 10%

Lowe's aims to achieve 100% Forest Stewardship Council (FSC) certification for all wood products sourced from identified Regions at Risk.

PROGRESS: 69%

By 2025, 100% of Lowe's wood products will be purchased from a responsible source, thus either certified or from a controlled source.

Lowe's Wood Sourcing Policy

We implemented our first wood sourcing policy in 2000 and have made several updates to the policy in the last two decades. Our current policy applies to all products containing wood that are sold in Lowe's stores.

Through the wood sourcing policy, Lowe's commits to source wood that:

- originates from a known source;
- is legally harvested and traded;
- does not threaten high conservation value or high carbon stock forests;
- does not originate from deforestation or other ecosystem conversion, which leads to biodiversity loss, including that of rare, threatened and endangered species;
- is not endangered;
- is harvested and produced in a way that recognizes and upholds Indigenous peoples' and other local community rights and customs; and
- is harvested and produced ensuring that human and worker rights are protected, including decent and humane working conditions and no forced labor.

¹Progress percentages are from 2021 data.

Verifications and Non-Compliance Protocols

Lowe's encourages all vendors to have certifications in place where commercially feasible. If a vendor does not hold any credible, third-party sustainable forest management certifications, they are subject to third-party audits. To monitor compliance, Lowe's conducts annual verifications with a selected sample of vendors.

Lowe's holds vendors accountable to its Wood Sourcing Policy and reserves the right to take actions against our vendors, which can include:

- ➔ Detailed assessments of the vendor's sourcing
- ➔ A reduction in purchased goods
- ➔ Suspension or elimination of purchases
- ➔ Termination of business agreements

World Wildlife Fund's Forests Forward Program

In 2021, Lowe's joined World Wildlife Fund's Forests Forward program, which engages companies globally to help develop both near- and long-term strategies to reduce their forest footprints. Through two initiatives led by WWF, Lowe's has helped fund the following forest restoration projects in Canada.

1. An analysis and mapping of degraded lands across Canada to optimize opportunities for nature-based climate solutions. This work will inform future discussions with businesses, governments, communities and others regarding implementing restoration projects that have the greatest potential benefit for conservation and climate.
2. A First Nations project, the [Secwepemcúl'ecw Restoration and Stewardship Society](#) (SRSS), to support large-scale restoration efforts in British Columbia. In 2017, the Secwepemcúl'ecw's forests were devastated by the Elephant Hill Fire, which burned nearly 200,000 hectares in the interior of the province over 75 days. The fire burned some areas so intensely that tree seeds buried in the soil and sealed in cones were destroyed, rendering the forest incapable of regenerating naturally. The SRSS's activities include tree planting, restoration along waterways and both water quality and carbon monitoring.

Lowe's is proud to support these projects and be a part of efforts to better understand ways to restore Canada's forests. We look forward to continuing our work with WWF and its Forests Forward program to help drive better forestry management practices across the globe.

Evaluating Our Findings

Deforestation and Degradation of Primary Forests

Deforestation and degradation of primary forests are two of the leading concerns related to the health of the world's forests. Globally, there has been an 11% decrease in the overall tree cover since 2000¹. While agriculture has been cited as the leading driver of global deforestation, other factors such as logging, human migration and industrial development also contribute to forest loss². Through research and discussions with stakeholders in our value chain, we assessed the potential for deforestation within our footprint. Our assessment revealed minimal risks of deforestation in our supply chain due to our vendors' forest management plans, government regulations and our wood sourcing requirements.

Primary forests comprise an estimated 27% of the world's forest cover and provide valuable ecosystem services, including habitats for a diverse range of wildlife and carbon sequestration and stock. The process of harvesting timber from these areas often leads to a degradation of these forests. While it is challenging to determine what percentage of our wood products are sourced from primary forests, we believe that products sourced from Canada have the highest likelihood of being harvested from primary forests. Lowe's sources roughly 14% of its wood supply from Canada and approximately 30% of Canada's landscape has been identified as IFLs.

During our assessment, we evaluated the feasibility of banning primary forests as a source of timber within our supply chain, with a focus on wood products sourced from Canada. We spoke with key suppliers in the region, reviewed government harvesting and replanting requirements, and discussed concerns with various environmental NGOs. Based on our research, we concluded that eliminating primary forests from our supply chain is not feasible at this time. We do, however, plan to identify methods to mitigate the impacts of our sourcing on carbon sequestration and biodiversity. Those plans are outlined in the [Looking Ahead](#) section of this report.

¹Forest Loss | Global Forest Review (wri.org)

²Deforestation fronts | Stories | WWF (worldwildlife.org)

Indigenous rights & FPIC

Forests play a central role culturally, spiritually and economically in the lives of many Indigenous peoples worldwide. Businesses and organizations within the forestry supply chains have a responsibility to safeguard and respect these Indigenous voices.

One potential solution to protect Indigenous rights within the forestry industry is the process of [Free, Prior and Informed Consent \(FPIC\)](#). The FPIC process allows Indigenous peoples to provide or withhold consent to any project that may affect them or their territories. Notably, FPIC implementation affects forest management requirements in Canada, as there are many Indigenous communities and First Nations residing in Canadian forestland.

Our assessment revealed that our Canadian suppliers have taken steps to improve collaboration with First Nations in their forest tenures, including engagement in the FPIC process. The Canadian government has also passed regulations and implemented new processes to further promote the FPIC process. Lowe's is aligned with the principles of FPIC and plans on updating its wood sourcing policy to reflect these values.

Opportunities to Improve Our Wood Sourcing Practices

While the evaluation of our footprint and processes did not reveal significant issues in our supply chain, we did identify several opportunities for incremental improvement:

Enhance Data Collection, Quality and Reporting: The Lowe's wood sourcing survey is currently our most accurate method for evaluating compliance with sourcing requirements, commitments and for identifying opportunities to improve how we source wood products. Our assessment helped to identify enhancements to both our system and processes.

Deeper Understanding of Our Carbon Impact: Lowe's continues to evaluate impacts of our wood sourcing on carbon sequestration and storage. With the help of key stakeholders, experts in the space, as well as the Science-Based Target initiative (SBTi) FLAG Guidance, Lowe's will work to quantify the carbon impacts of our forestry value chain.

Enhance Supply Chain Traceability: The complexity of our forestry supply chain, coupled with industry dynamics, makes it difficult to fully trace the source of our wood products. Lowe's will continue to work with our vendors, peers and third-party experts to identify and test new product traceability methods to improve supply chain transparency.

Continued Support of FSC Certification in Regions at Risk: Obtaining FSC certifications from vendors sourcing from Lowe's identified Regions at Risk has been more challenging than expected. Lowe's will continue working with our vendors and the WWF to increase FSC certification and mitigate obstacles to FSC adoption.

Looking Ahead

Our assessment helped us to identify several steps that we can take to improve our wood sourcing practices:

- 1** **Lowe's will invest in reforestation projects in key sourcing regions designed to benefit carbon sequestration and biodiversity.**
Reforestation and habitat restoration can help to reestablish carbon stock and biodiversity. Lowe's has longstanding partnerships with key environmental organizations such as The Nature Conservancy and WWF. We look forward to working with these and other NGOs and non-profits to identify where we can make the greatest impact. Additional details on our reforestation efforts will be provided in the 2022 Corporate Responsibility Report.
- 2** **Lowe's will strengthen its wood sourcing policy in the coming year by:**
 - A.** Adding a provision that encourages all vendors to engage in Free, Prior and Informed Consent where applicable
 - B.** Updating the Lowe's identified Regions at Risk
- 3** **Lowe's will implement a grievance mechanism focused on its forestry supply chain.** This new grievance mechanism will provide stakeholders in our value chain a clear channel for sharing their concerns. Lowe's will take action to address these concerns, including the development of corrective action plans and termination of business relationships with vendors depending on the nature and severity of the issue.
- 4** **Lowe's will require all wood products sourced from Canada to originate from credible third-party certified forests by 2027.** Certifications include Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) and the Programme for the Endorsement of Forest Certification (PEFC). Lowe's will give preference to FSC when purchasing items from Canada, as long as they meet business and market requirements.

Conclusion

This forestry assessment reinforced that our wood sourcing supply chain is complex and challenging to navigate. We are committed to our role as a responsible corporate citizen and look forward to continuing our work with our suppliers and other key stakeholders on the important topics discussed in this report. We welcome stakeholder feedback as we strive to improve processes, policies and practices within our forestry supply chain.



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This report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements including words such as “believe”, “expect”, “anticipate”, “plan”, “project”, “estimate”, “will”, “should”, “could”, “would”, “may”, “strategy”, “potential”, “opportunity” and similar expressions are forward-looking statements. Forward-looking statements involve expectations, projections, and assumptions about our forestry practices, strategy, priorities, expectations and intentions. Such statements involve risks and uncertainties, and we can give no assurance that they will prove to be correct. Actual results may differ materially from those expressed or implied in such statements. Investors should carefully consider the risk and uncertainties described in “Item 1A - Risk Factors” in our most recent Annual Report on Form 10-K and as may be updated from time to time in Item 1A in our quarterly reports on Form 10-Q or other subsequent filings with the Securities and Exchange Commission. All such forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update these statements other than as required by law.