



CLIMATE CHANGE RISKS AND OPPORTUNITIES

P&G is committed to improving people's lives with irresistible superiority that is sustainable. We create value by making sustainability an integral part of our vectors of superiority, building on the strength of science-based pillars—Climate, Waste, Water and Nature. In September 2021, P&G set a [new ambition](#) to achieve net zero greenhouse gas (GHG) emissions across its operations and supply chain, from raw material to retailer, by 2040. P&G also shared a [Climate Transition Action Plan](#) which outlines a comprehensive approach to accelerating climate action and the key challenges ahead. As part of our transparency on our climate progress with all stakeholders, and the risk and opportunities it may present for companies, P&G has created this document to provide additional perspective on climate change implications that could be relevant for the Company and the steps we are taking to address them. The development of this report was informed by the recommendations published by the Task Force on Climate-Related Financial Disclosures.



GOVERNANCE

The following outlines the governance structure that is currently in place for climate-related issues.

In addition to the structure above, P&G maintains an Enterprise Risk Management (ERM) process to identify and assess risk factors via a multi-functional team of experienced resources. Findings and recommendations made through the ERM process are reviewed with senior managers, in addition to the Company's Board of Directors and its Audit Committee, which has oversight responsibilities. Through the process, Company leaders assess significant factors that may adversely affect our business, operations, financial position or future financial performance and includes an assessment of environmental sustainability risk factors. The Vice President of Sustainability and the Chief Sustainability Officer participate in the ERM process to provide perspective on relevant sustainability topics, including climate change.

CLIMATE COUNCIL

Chair: P&G Global Climate Leader (Senior Director, Global Sustainability)

Participants: Climate and energy leaders from Manufacturing, R&D, Government Relations, Procurement, Legal, Finance, Corporate Sustainability, and Communications

- Purpose:**
- 1 Monitor external trends and developments related to climate change via engagement with outside organizations, conferences, and monitoring external publications
 - 2 Develop and maintain the Company's overall Climate Strategy
 - 3 Monitor progress vs. climate related goals and ensure interventions are implemented when needed

Meets: Monthly

Governance Links: The Vice President of Sustainability is a member of the Climate Council and highlights relevant climate related issues to the ESG Executive Council for awareness, strategic guidance, alignment to proposed actions and goals, as well as discussion of budget needs.

ESG EXECUTIVE COUNCIL

Participants: Chief R&D Officer, Chief HR Officer, Chief Sustainability Officer, P&G's Executive Sponsor for Sustainability (currently CEO of Beauty Care Sector Business Unit), Chief Purchases Officer, Chief Equality & Inclusion Officer, Chief Product Supply Officer, Chief Marketing Officer, Chief Financial Officer, Chief Legal Officer, and P&G's President – Europe (as representative of the Company's Market Operations).

Purpose: Maintains overall oversight of ESG efforts, including climate change. Includes monitoring progress vs. goals, providing strategic direction, alignment to proposed program objectives and goals, discussion and allocation of resource needs.

Meets: Quarterly. Climate Change is considered in the context of our overall sustainability efforts and agenda items are brought forward for discussion on an as-needed basis.

Governance Links: Multiple members of the ESG Executive Council, including the Company's Chief R&D Officer, Chief HR Officer, Chief Financial Officer, and Chief Legal Officer, work directly with the Company's Board of Directors and its Committees. These executives, under the leadership of the Chairman of the Board & CEO, coordinate relevant Sustainability topics and updates, including climate-related topics, for the Company's Board and its Committees. In particular, the Governance & Public Responsibility Committee oversees the Company's corporate sustainability goals, including climate, and progress against those goals. P&G's CEO currently serves as Chairman of the Board.

BOARD OF DIRECTORS AND GOVERNANCE & PUBLIC RESPONSIBILITY COMMITTEE

The Governance & Public Responsibility Committee of the Board of Directors has oversight of P&G's corporate sustainability goals and progress against those goals, including climate-related objectives. Climate Change is not a standing agenda item at every Committee meeting, but relevant topics are brought forward for discussion on an as-needed basis. Members of this Committee also receive periodic updates on the progress of our Sustainability programs and goals, including efforts related to climate change. The Chair of the Governance & Public Responsibility Committee then updates the full Board as needed.

In addition, the Board of Directors is responsible for the alignment and integration of P&G's sustainability objectives with the Company's business strategy, including review of climate-related risks and opportunities at a strategic level. As such, sustainability-related topics are brought forward and discussed by the Board as needed.

PERSPECTIVE ON CLIMATE CHANGE RISKS

In the short to mid-term, the most relevant risks and impacts presented by climate change for our Company are:

- 1 Governments implementing policies/fees/taxes on carbon intensive energy or materials, which could result in higher costs for the Company and consumer.

- 2 Increased severity/frequency of extreme weather events: If responses to such events are not effectively managed and remedied, there could be disruptions to our operations due to loss or impairment of key manufacturing sites, inability to procure sufficient raw & packaging materials, disruption to transportation of raw & packaging materials or finished goods, etc.

- 3 Chronic changes to precipitation/increasing water stress are relevant risks for our operations, supply chain, and consumer use of our products (e.g., sufficient water for laundry, dishwashing, showers, etc.).

To better inform our identification of relevant risks and impacts, P&G's Climate Council conducted:

- 1 A screening exercise of potential physical climate risks to P&G facilities using commercially available software that maps existing 3rd party data on climate related risks and overlays those risk factors to P&G site locations. Conclusions from this exercise were consistent with prior assessments and indicated that water scarcity and increased severity/frequency of extreme weather events were the most relevant physical risk factors for P&G sites.

- 2 An assessment of the transition risk factors listed in the Task Force for Climate Related Disclosure Guidelines. The outcome from this assessment indicated the most relevant transition risk and impact was the potential for government policy actions that could increase energy and material costs. This assessment also identified potential increased raw material, packaging material and capital costs in the short to mid-term related to efforts to reduce supply emissions by moving towards less carbon intensive materials. This reflects our general experience that material costs during start-up and scaling phases of production for any material can be higher than baseline. Given the complexity of market dynamics and potential for market tailwinds over time (e.g., more companies advancing net zero ambitions, greater supplier focus on reducing emissions), specific impacts are difficult to predict. As we advance our efforts, we will integrate these efforts into our overall business strategies, including our ongoing focus on productivity and delivering irresistible superiority that is sustainable across products, packaging, consumer & customer value, communications, and retail execution.

Both these exercises were informed by Scenario Analysis that integrated potential future impacts from IPCC AR5 RCP 4.5 – which corresponds to a future temperature increase of 2.5 to 3.0 degrees Celsius and aligns with the most recent projections from the United Nations regarding outcomes from current national commitments.

PERSPECTIVE ON CLIMATE CHANGE RISKS

The analysis of climate-related risks and impacts supports the conclusion that, without any action, climate change could present risks to the business – primarily from regulatory/policy actions that could increase the costs of energy, the potential for increased frequency/severity of extreme weather events disrupting operations or supply chain and increases in water stress. We believe the most likely impact in the short to mid-term is policy action that places a price on carbon. Given the broad array of policy actions that could be implemented globally, it is difficult to assess with any certainty what the collective impacts of future policy actions could be. However, one theoretical approach to model potential impacts would be to place a dollar/ton fee to P&G's Scope 1 GHG emissions. For the fiscal year ending June 30, 2022, P&G reported ~2,160,000 tons of Scope 1 emissions. Presuming that all P&G's Scope 1 emissions were in scope for a global, uniform fee per ton of Scope 1 emissions, one can model impacts by multiplying Scope 1 emissions by the projected fee (\$/ton). This is a very conservative approach as it is unlikely that all Scope 1 emissions would be in scope but if one were to assume a carbon price of \$40/ton it would yield a total fee of ~ \$85 million. While using different carbon prices in modeling such as this can provide a range of potential impacts from policy action, we believe the comprehensive actions we are already taking (see Strategy & Risk Management section below) will serve to limit the impacts of short- and mid-term risks posed by climate change.

We will continue to monitor the latest science and data related to short-, mid-, and long-term impacts of climate change and adjust our strategy accordingly.

STRATEGY & RISK MANAGEMENT

P&G's Climate Council assesses climate-related risks and develops risk mitigation strategies. We currently have a comprehensive strategy in place that includes the following elements:

Reducing our GHG emissions

By reducing our GHG emissions, we are not only doing our part to help reduce GHG emissions to the atmosphere but are also helping to mitigate potential impacts from policy or regulatory actions that could put an increased price on carbon emissions.

In September 2021, P&G announced an ambition to achieve net zero greenhouse gas emissions across our supply chain and operations by 2040. The scope of this ambition includes supply chain emissions from raw materials, inbound transportation of raw materials, outbound transportation of finished products, and Scope 1 & 2 emissions from P&G facilities. To pace our progress vs. this ambition, we have established the following interim targets for 2030:

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- Reduce Scope 1 & 2 GHG emissions by 50% on an absolute basis by 2030 (vs. 2010 baseline). This target has been approved by the Science Based Target Initiative as being consistent with a well below 2°C trajectory.
 - Purchase 100% renewable electricity globally by 2030.
 - Reduce supply chain emissions from raw and packaging materials by 40% per unit of production by 2030 (vs. 2020 baseline) (verified by SBTi)
 - Reduce finished product freight emissions intensity by 50% by 2030 (vs. 2020 baseline) (verified by SBTi)

Additional perspective on these efforts is available in P&G's [Climate Transition Action Plan](#).

Helping Consumers reduce their GHG Emissions

To identify and understand the product categories that have the highest GHG emissions during the consumer use phase, we conducted a comprehensive, lifecycle-based carbon footprint analysis for our product portfolio. Based on this we know the greatest impact is associated with the use phase of our products that have traditionally used hot water during the consumer use phase (laundry, dish, hair care). As a result, we have put a sustained focus on cold water washing for laundry, developing detergents that deliver outstanding performance in cold water and launching education campaigns to encourage consumers to switch to cold. Given the performance of our detergents in cold water, we believe this represents an opportunity to better meet consumer needs. The performance of our High Efficiency detergents also helps optimize performance of HE machines, helping consumers realize savings in both energy and water usage.

Policy Engagement

Existing carbon pricing schemes have had relatively little impact on our operations as most of our operations are not energy intensive. The U.S. represents one market that has not implemented a national policy on carbon pricing. To help ensure that any future US Policy efforts provide business the needed certainty, predictability, and transparency, P&G joined the Climate Leadership Council (CLC). CLC is an organization that advocates for a Carbon Dividends Program in the US as the best policy mechanism to drive greenhouse gas emissions reductions commensurate with a 2 ° C target. We believe that if the US moves forward with a national carbon pricing policy effort, this type of an approach would provide the greatest transparency and certainty for business. P&G also works with various business trade associations to help educate and enroll them in taking proactive steps to address climate change.

STRATEGY & RISK MANAGEMENT

Business Continuity Planning

Extreme weather events represent a potential risk. Loss or impairment of key manufacturing sites, inability to procure sufficient raw and packaging materials, disruption to transportation of raw and packaging materials or finished goods, etc. could disrupt our operations if they are not effectively managed and remedied. We have ~130 manufacturing sites globally and a broad supplier network. This provides some level of flexibility to adjust production and sourcing. In addition, each site has a business continuity plan, which is regularly reviewed and updated. These plans include considerations for disruptions caused by extreme weather events. Site specific outputs from our 2022 assessment of physical risk factors have been shared with our Business Continuity Planning organization to enable further assessment and development of business continuity plans.

Proactively assessing and mitigating water related risks

Chronic changes to precipitation/increasing water stress are relevant risks for our operations, supply chain, and our consumer markets (e.g., water for laundry, dishwashing, showers, etc.). We are advancing the following efforts to manage relevant water-related risks:

- All manufacturing sites are covered by our water risk assessment process. This is a tiered risk assessment. We have screened all sites and identified sites that fall into Tier III (sites most at risk for water stress). These sites will need to develop site-specific water stewardship plans to mitigate potential risks.
- We have conducted water risk assessment for key consumer markets and combined this with data on manufacturing sites and supplier locations. As a result, we identified 18 priority basins that are experiencing high water stress.
- In 2022, P&G announced new 2030 goals that we will:
 - Restore more water than is consumed by P&G manufacturing sites in the 18 priority water-stressed areas around the world¹.
 - Restore more water than is consumed when using P&G products in the high water-stressed metropolitan areas of Los Angeles and Mexico City².

We plan to achieve these goals by advancing water restoration projects that return a water benefit to these basins. Additional details and perspective on these efforts including our water goals and objectives can be found in our [June 2022 publication](#).

METRICS

P&G has an ambition to achieve net zero GHG emissions across our supply chain and operations by 2040. To pace our progress towards that ambition, we have established specific targets for 2030 (listed below). We plan to publicly report progress against these goals on an annual basis:

- 50% absolute reduction in Scope 1 and 2 GHG emissions by 2030 (vs. baseline 2010)
- Purchase 100% renewable electricity by 2030
- Reduce supply chain emission from raw and pack materials by 40% per unit of production by 2030 (vs. baseline 2020)
- Improve finished product freight emissions intensity by 50% by 2030 (vs. 2020 baseline)

In addition to reporting progress vs. these goals, P&G also publishes the following data on an annual basis via our [ESG Portal](#): Energy consumption (gigajoules), Scope 1 GHG emissions (metric tons), Scope 2 GHG emissions (metric tons), estimates of relevant Scope 3 GHG emission categories (metric tons), and water consumption from P&G sites.

METRICS

We have had 3rd party limited assurance of our Scope 1 and 2 GHG emissions inventory since 2018 and intend to maintain that practice going forward.

P&G also responds to the CDP Climate, Water, and Forestry surveys – these responses are also posted on our ESG Portal

Certain statements in this report, including statements relating to our climate and related ESG targets, estimates, projections, goals, commitments, and expected results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believe” “project” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” “goal,” “target,” “objective,” and similar expressions.

Forward-looking statements speak only as of the date they are made and are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results and outcomes to differ materially from those expressed or implied in the forward-looking statements. Some of these uncertainties are summarized in the sections of this report titled, “Perspective on Climate Change Risks” and “Strategy & Risk Management.” For additional information concerning factors that could cause actual results and events to differ materially from those projected herein, please refer to our most recent 10-K, 10-Q, and 8-K reports. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise, except to the extent required by law.

¹Water that evaporates during the manufacturing of our products or is incorporated into the finished product manufactured at these sites

²Water from household leaks and evaporation during the use of our products.